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ABSTRACT

The transcripts of testimony given before the Senate Committee on Aging by the former Secretary of the Department of Health, Education, and Welfare, Joseph Califano, and the Director of the Center on Work and Aging at the American Institutes for Research, Harold Sheppard, are presented. Issues reviewed in these statements address the following areas of concern: work patterns, retirement planning, lifelong learning, the impact of inflation and the economy, and social attitudes. The appendices provide examples of correspondence between Senator Frank Church, Chairman of the Senate Committee, and Califano, Church and Sheppard, and excerpts of a report by Sheppard entitled "Research and Development Strategy on Employment-Related Problems of Older Workers." (HLM)

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RETIREMENT, WORK, AND LIFELONG LEARNING

HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

PART 1--WASHINGTON, D.C.

JULY 17, 1978

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
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Retirement, Work, and Lifelong Learning:
- Part 1. Washington, D.C., July 17, 1978.
- Part 2. Washington, D.C., July 18, 1978.
- Part 3. Washington, D.C., July 19, 1978.
- Part 4. Washington, D.C., September 8, 1978.

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RETIREMENT, WORK, AND LIFELONG LEARNING

MONDAY, JULY 17, 1978

U.S. Senate,
Special Committee on Aging,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 6226, Dirksen Senate Office Building, Hon. Frank Church, chairman, presiding.

Present: Senators Church, DeConcini, Domenici, and Percy.

Also present: William E. Oriol, staff director; David A. Affeldt, chief counsel; Garry V. Wenske, assistant counsel for operations; Letitia Chambers, minority staff director; David A. Rust, minority professional staff member; Alison Case, operations assistant; and Theresa M. Forster, fiscal assistant.

OPENING STATEMENT BY SENATOR FRANK CHURCH, CHAIRMAN

Senator Church. Today, the Senate Committee on Aging begins an examination of the many issues related to our three general themes: Retirement, work, and lifelong learning.

A subtitle to these hearings might well be: Should the United States be dismayed or even fearful over a process so often described as the "graying" of our population?

My personal answer to that question is "no," as you might expect. It would be a sad day indeed for this Nation if the older persons among us were to be regarded as a drain, rather than a rich reservoir of experience, wisdom, and creative energy. But my answer would also include a caveat—one which has caused these hearings to be called—a warning that we must look deeply into issues which have concerned the Senate Committee on Aging for some time, but which now take on new urgency.

Contributing to the urgency is the debate over social security financing and the deepening concern over the high cost of public and private pensions. Do we know what we are committing for future retirement income, and are we proceeding in the wisest way? It has become common to say that the United States has no retirement policy. Federal, State, and local governments establish pension or annuity plans as if each one existed in a vacuum. Some private plans are loosely related to public sector plans; others are not; and complexity and misunderstanding abound.

What is all this costing us? How much more can we afford? And who really benefits from the current scheme of things?

Is there already a "pension elite" who benefit from several sources of income support while those most in need of a genuine supplement to social security income are the very ones least likely to enjoy it?

And one of the most crucial questions: How is inflation compounding the cost of retirement as it is practiced today?

We have chosen a broad title for these opening hearings and all those which will follow. We want to examine retirement, work, and lifelong learning in some detail, and we want to show that each of these three broad subjects cannot stand alone, especially now.

RETIREMENT POLICY

We are concerned about retirement for many reasons, the most immediate of which is new legislation which deals a major blow at traditional mandatory retirement practices.

I am referring, of course, to the raising of the upper age limit in the Age Discrimination in Employment Act from age 65 to 70. This victory won't alter current habits and injustices overnight, but it is historically important because it helps to establish the principle of keeping work options available throughout the lifespan. It also will challenge employers—and employees—to work cooperatively to make the most of the new condition which will generally take effect next January.

Retirement is also on our minds because of a swelling tide of concern about the clear and persistent trend toward earlier retirement. Does this make sense in the face of: increased longevity; inflation's inroads on retirement income; and the growing realization that this Nation now needs, and will need even more in the future, the full use of the talents and knowledge of all those who wish to work for as long as they care to work?

EMPLOYMENT ISSUES

But what good does it do to delay or even ban retirement if employment opportunities for the older persons are unsatisfactory or even nonexistent? We have put "work" in the title of our hearings because for some years now the Senate Committee on Aging has tried to alert the Nation to the fact that older workers are often called "retired" when in fact they can't get a job to replace one they have lost or one that has been swept aside by technological change. We have issued reports pointing out that so-called recovery for the general economy does not necessarily mean good times for workers in the 50's and 60's who encounter a distinct lag in return to jobs with insidious and far-reaching results: Denied work and often discouraged to the point of not even seeking it, the older worker seizes upon the earliest possible sustained assistance which of course is reduced social security benefits at age 62; the social security trust fund then must pay out instead of receiving payroll taxes from those who want to work, but can no longer find employment.

Our interest in work isn't limited to those past age 50. We also want to know what happens to persons whose job skills become outmoded at any age. And we will take special interest in experimental work arrangements, including flexitime, which could change fundamental thinking about the role and purpose of working the lifespan.

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Lifelong Learning

And so we come to the third theme of these hearings, lifelong learning.

The 1971 White House Conference on Aging called education a basic right for all age groups, "continuous and henceforth one of the ways of enabling older people to have a full and meaningful life, and as a means of helping them develop their potential as a resource for the betterment of society."

Now that the end of mandatory retirement is in sight, isn't educational opportunity in later years even more important, not only as a means of adapting to new work demands and making one's self a continuingly valuable employee, but also as a way of adjusting to new interests when work hours decrease or, at an agreed-upon date, end entirely?

Many of the issues which will come before this committee at these and future hearings will be overshadowed by concern about social security financing. My own personal view is that the payroll tax is too high, too regressive, and in need of help from other sources. Important as this issue is, however, I hope that it will not dominate center stage. More important, it seems to me, are our goals for social security in terms of adequacy of benefits the contributions it makes to our society as well as its costs, and its relationship to other programs providing retirement income.

This committee is, of course, also concerned about problems facing the private pension system. Fortunately, the Senate Committee on Human Resources is preparing for hearings next month on amendments to the Employee Retirement Income Security Act of 1974, and we have been in close touch with Chairman Williams on matters of mutual concern.

We are also aware that there are no fewer than six federally authorized studies related to social security, retirement systems, and national retirement policy. We have made contact with representatives of each and will follow their progress closely. The same is true of the Federal Council on Aging, national organizations on aging, and other agencies. Nelson Cruikshank, counselor to President Carter on aging, has promised his personal attention to our hearings, studies, and findings.

In short, we are casting a wide net for information and ideas and perspective. Only in this way can we seek the most helpful answers in our search for what we want retirement, work, and lifelong learning to be in this country. We have been aided considerably by consultation from Harold Sheppard, whose recent book anticipates a growing crisis in this Nation's retirement age policy. Herman Brotman, demographer, and former assistant to the U.S. Commissioner on Aging, has once again contributed significantly to preparations for a hearing by this committee. To them and to others who have helped, and who will help in the future, we want to give our special thanks.

Our first witness, Secretary Califano, is quoted in the latest annual report by this committee as saying in a recent speech:

> We should remind ourselves that support for older Americans is support for all Americans. When medicare pays an older citizen's hospital bill it protects that family's savings to pay for college tuition, or a new house, or their own retirement.
>
> And "the elderly," we must remember, are ourselves—and our children. When we discuss the elderly in 2025, we are discussing the high school seniors of today.

That kind of perspective, Mr. Secretary, will guide us throughout these hearings.

Our ranking Republican member, Senator Domenici, is here this morning. I invite you to make whatever opening remarks you would like to make, Senator.

STATEMENT BY SENATOR PETE V. DOMENICI

Senator DOMENICI. Thank you very much, Mr. Chairman.

First, I agree with you, Mr. Chairman, that the whole issue of the changing times and the graying of America and the graying of the world makes the hearings that we are going to start today most important. I have a rather detailed statement which analyzes the three or four major areas that I am sure we are going to cover.

Suffice it to say that the witnesses that we have will address a variety of topics. Today, the Secretary will give us his suggestions on how we might improve the delivery of social services to provide for opportunities to our graying population.

I do believe that the kind of hearings we are undertaking are most important because we do tend to try to package and compartmentalize the problems that are coming down the line, and I believe they cross the entire structure in America. If we can provide some thinking and thought process as to where we are going and how these changes are going to impact upon what we must do and what the private sector must do, what the educational system must do, and what the social delivery system must do, then I think we will have contributed immensely here in these 3 days.

I ask the chairman to make my prepared statement a part of the record. I welcome the distinguished Secretary today.

Senator CHURCH. Thank you very much. Your full statement will appear at this point in the record as though fully read.

[The prepared statement of Senator Domenici follows:]

PREPARED STATEMENT OF SENATOR PETE V. DOMENICI

Mr. Chairman, the enactment of the Age Discrimination in Employment Amendments of 1978 reflects a number of fundamental changes in long-standing social and economic policies. These far-reaching changes necessitate a comprehensive reassessment of our traditional policies in many areas. Longer life and work spans pose a host of interrelated challenges. These challenges encompass income maintenance, adequate housing, proper nutrition, safety in our homes and on our streets, education, social services, and so forth. During the next 3 days, our witnesses will address a variety of topics. Today, we will hear Secretary Califano's suggestions as to how we might improve the delivery of social services to our "graying" population.

Postponed retirement may have a significant impact upon our social security program. Patchwork attempts by the Congress to ensure the continued viability of the program will not be effective in the long run. While the Social Security Financing Amendments of 1977 may help to guarantee the immediate and medium-range soundness of the system, the long-term stability of the social security program is still in doubt. In the months and years ahead, we will assess the merits and drawbacks of several possible solutions to the social security funding dilemma. Universal social security coverage and a rise in the eligibility age for social security recipients have been proposed. We also need to know how we can achieve a better integration of private and Federal pension plans with social security. Proposals to address these issues have, for the most part, generated much debate and controversy. Perhaps Secretary Califano can provide us with a clearer and more definitive analysis of these social security problems and proposals.

Rising medical costs impact on all Americans, but older Americans living on fixed incomes are hardest hit by the inflationary rise in health care costs. If hospital expenses continue to rise, it is estimated that a 1-day hospital stay could cost as much as $450 by 1980. Needless to say, something must be done to bring medical costs back within an affordable range for all Americans. While I realize that the present administration has committed itself to controlling the cost of health care, we are still a long way from a truly cost-effective health care delivery system. As the proportion of senior citizens continues to rise, restraint in the area of medical costs will become increasingly important.

Since the incidence of infirmity tends to increase in later years, more and more elderly individuals will face the possibility of long-term hospitalization or institutionalization in the years ahead. These prospects are not pleasant ones for our elderly to face. When possible, they prefer treatment in familiar surroundings, with friends and family members nearby. Fortunately, the Congress is beginning to look into this matter, and many members now recommend increased home health care services as an alternative to the sterility of institutional care. Legislation I have introduced, along with Senators Brooke and Percy of this committee, the Home Health Care Services Bill (S. 2009), will enable many elderly to obtain the medical services they need in their own homes. I hope that we will see a dramatic expansion of home health care services in the coming years.

Very little change in the distribution of education has occurred in America from 1900 to 1970. Work activity is primarily concentrated in the mid-life period, while education is stressed during the youthful years. We are witnessing a growing emphasis on adult and continuing education programs, but more concentration in this area is needed. The Office of Lifelong Learning, established by the Higher Education Amendments of 1976, is an important attempt to extend educational fulfillment to all generations. I commend the Department of Health, Education, and Welfare for its success in implementing this program, and would like to hear from Secretary Califano about other present or future initiatives in the area of lifelong learning.

I understand that many Federal agencies have implemented some form of preretirement counseling. I am anxious to learn about the extent and effectiveness of these programs within the Department of Health, Education, and Welfare.

Other innovative arrangements have been proposed, such as gradual and trial retirement. I hope Secretary Califano will comment on the desirability and workability of proposals such as these.

Mr. Chairman, another pertinent subject is the prospect of including employment for the elderly within a comprehensive welfare reform proposal. Present proposals exclude seniors from placement in jobs which would be created if welfare reform were implemented. Important questions which need to be addressed are: Can welfare reform open up new job opportunities for the elderly who want to work? Can we have a truly comprehensive welfare reform program without fully including older Americans? I will be interested to hear both Secretary Califano and Dr. Sheppard speak to this issue.

We are also fortunate to have with us today, Dr. Harold Sheppard, who is a distinguished author and scholar and, I might note, a former staff director of this committee. As an industrial gerontologist, Dr. Sheppard can give us a completely different perspective on the forces which are at work in our society. Mr. Chairman, I opened this statement by noting that the enactment of the Age Discrimination in Employment Amendment of 1978 reflects a number of fundamental changes in our social and economic structures. If we are going to come to grips with these forces, and shape realistic policies that will meet the needs of our people in the years to come, we must fully understand the changes that are occurring in the American work place. What are the attitudes of older workers toward retirement? How do middle aged and older workers perceive the need for second career training? What are the expectations and attitudes of younger workers toward their job? Their employer? Retirement? Social security? Inflation? Social services? Productivity? Taxes, and so forth?

I believe Dr. Sheppard is uniquely qualified to address these issues and I look forward to receiving his testimony and hearing his responses to questions posed by the committee members.

In closing, Mr. Chairman, let me state that I believe that our work in the area of "retirement, work, and lifelong learning" can, if carried to fruition, produce valuable data not only for our committee, but for the entire Congress. Our ability to look at the "big picture" regarding employment, retirement, and continuing education should enable us to develop a hearing record that will benefit other committees, executive agencies, State and local governments, as well as the private sector. America will meet and overcome these challenges, which is the mark of a great civilization. Secretary Califano noted in his "Four Generations" speech: "Our democracy has proven itself both creative and resilient; capable not only of surviving social change, but of dealing with it imaginatively and generously."

We are fortunate indeed to live in a society resourceful enough to meet these demanding responsibilities and challenges.

Senator **Church**. Senator DeConcini, do you have any opening remarks you would like to make at this time?

Senator **DeConcini**. No, sir.

Senator **Church**. Very well.

Mr. Secretary, welcome to the committee. As our leadoff witness, we are very happy to have you. You may proceed as you wish.

STATEMENT OF HON. JOSEPH A. CALIFANO, SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Secretary **Califano**. Mr. Chairman, thank you very much for a perceptive opening statement.

Mr. Chairman, members of the Special Committee on Aging, I'm glad to be here and grateful to you for inviting me to take part in these important hearings.

Your inquiry, with its theme "retirement, work, and lifelong learning," takes on increasing urgency when we consider that the number of older citizens in America is growing, that the number of years spent in retirement is growing, and that because of advances in health and nutrition, many older citizens are more vigorous and youthful than their predecessors of a generation ago. Mr. Chairman, we are on the dawn of the first four-generation society in the history of civilization.

Because we are a nation devoted to the fulfillment of the individual, we need to consider the aging of the American population with clear eyes, a realistic grasp of the facts, and a determination to plan, as prudently and thoughtfully as we know how, our programs for enriching the lives of our older citizens.

I think it is appropriate to begin with some facts about aging in America. So today, I want to describe briefly the dramatic aging of the American population and, equally dramatic, its impact on the Federal budget and our national economy. I want also to raise some questions that should be on the minds of all who shape the institutions and programs of America: The Congress and the executive, State and local officials, scholars and social planners, business and opinion leaders, and the American people.

The past four decades have seen a steady growth in the number of older citizens, a demographic change both large and striking. This growth—along with recent trends such as inflation, slow growth, and problems in health care delivery—presents some formidable challenges to programs serving the elderly.

FOUR DRAMATIC TRENDS

Let me describe four dramatic and seemingly inevitable trends about aging in America:

First, life expectancy has increased almost 10 years since 1940. In 1940, the average life expectancy at birth was about 63½ years—

lower than social security's retirement age of 65. Today, life expectancy is 69 for men, 77 for women. Three-quarters of the population now reaches age 65; once there, they live, on the average, for another 16 years, to age 81. As we contemplate the year 2050, we are told that life expectancy will increase only another 3 years for men and 4 for women. And we must remember that biomedical advances have consistently rendered recent projections of life expectancy much too low.

Second, the postwar "baby boom" will reappear early in the 21st century as a "senior boom." In 1940, roughly 7 percent of the total population was 65 or over; today, the proportion is 11 percent, more than 24 million people. After 2010, the elderly percentage will not just increase, it will soar, as the childeren of the "baby boom" become the adults of the "senior boom." By the year 2030, nearly one on five Americans—55 million citizens—will be 65 or older. And the composition of the older population is changing also. In 1940, only 30 percent of older citizens were 75 or older; by the year 2000, they will comprise 45 percent of the elderly—more than 14 million people.

Third, ironically while people are living longer, they are retiring earlier. Thirty years ago, nearly one-half of all men 65 and over remained in the work force. Today, among people 65 and over, only 1 man in 5, and 1 woman in 12, are in the work force. There is no indication that this trend to earlier retirement will cease. This confronts us with some serious questions concerning not only the cost of providing retirement income, but the quality of life for many citizens who may spend 20 years or even longer in retirement.

Fourth, the ratio of active workers to retired citizens will change dramatically over the future: From 6 to 1 today to only 3 to 1 in 2030. This ratio is important because it suggests how many active workers are available to support programs for the elderly. We can estimate this ratio by comparing the number of citizens 65 and over to those 20 to 64. This is rather crude, since some persons over 65 are not retired and many people age 20 to 64 are not workers. But the historical changes in this ratio are extraordinary nonetheless: In 1940, there were 9 citizens age 20 to 64 for every citizen 65 or over; today, it is 6 to 1; by 2030, it will be only 3 to 1.

These four demographic trends have already had significant impact on the Federal budget. Programs for the elderly are claiming an increasing share of our resources.

This year, six major programs for which HEW has responsibility—old age insurance, survivors and disability insurance, medicare, medicaid, supplemental security income, and black lung benefits—will pay out more than $94 billion to persons 65 and over. Another $14 billion will be paid to this group under the civil service, railroad, and military retirement programs. Still another $4 billion will go to the elderly under other programs providing housing subsidies, food stamps, social and employment services.

"WHOPPING" BUDGET INCREASE

This adds up to $112 billion—5 percent of the gross national product and 24 percent of the Federal budget for fiscal year 1978.

This is a whopping increase. Real spending under these programs in 1978 will be four times what it was 18 years ago, in 1960, when we spent only 2.5 percent of GNP on programs for the elderly. And from only 13 percent of the Federal budget in 1960, the percentage has nearly doubled—largely due to the enactment of such major programs as medicare and medicaid, real benefit increases in social security, and other program expansions.

These expenditures, Mr. Chairman, large as they are, are expected to grow even more. Under the major programs I have mentioned, estimating benefits only for recipients age 65 or older, we expect real spending to more than triple—to $350 billion by the year 2010, just a little over 30 years from now. Between 2010 and 2025, when the "baby boom" becomes the "senior boom," real spending will escalate from more than $350 billion to around $635 billion. It will constitute more than 10 percent of gross national product, more than 40 percent of total Federal outlays.

Beyond the impact on the Federal budget, there are other striking financial implications of the aging of America. Last year, Congress enacted increases in payroll taxes that will insure the fiscal integrity of the social security system into the next century, although, as you on this committee know so well, these changes are hardly free of controversy. But the integrity of employer pension plans is open to serious question.

In 1976, Federal pension plans had unfunded liabilities between $243 and $425 billion.

Senator CHURCH. Do Federal pension plans refer to the civil service and the military pension system?

Secretary CALIFANO. Yes, they are the largest elements of that number. Almost all of it, Mr. Chairman.

MASSIVE UNDERFUNDING?

Senator CHURCH. You are telling us that they are massively underfunded?

Secretary CALIFANO. They are massively underfunded. For State and local pension plans, the estimate is between $100 and $270 billion. The estimate for private plans is roughly $200 billion. Together, these unfunded liabilities may well exceed the national debt of more than $600 billion. Ten of the largest industrial corporations in America have unfunded pension liabilities equal to a third or more of their net worth; seven of them have unfunded liabilities which exceed the aggregate market value of the common stock.

Senator CHURCH. Mr. Secretary, if I may interrupt at this point, I would like to ask whether you are going to tell us in your testimony the reasons that in 1976 Federal pension plans, State and local pension plans, and private pension plans, including those of the largest American corporations, are all in the same condition; namely, being underfunded to this astonishing degree?

Secretary CALIFANO. Mr. Chairman, I do not know the answer why. You note that I used the term in my testimony, unfunded. I use that term because obviously they all represent conscious decisions to rely on current income from whatever sources they are getting. I do think those numbers raise very serious questions about the extent to which this committee should look at the need for legislation in these areas in order to provide the protection. I realize ERISA was passed by the Congress a couple years ago, but I think, and I would urge that among the things this committee looks at, it look at the extent to which the protection may be needed in order to assure that individuals who are relying on those unfunded pension plans for their retirement years will indeed be placing their reliance with security.

Senator **Domenici**. Would the chairman yield?

Senator **Church**. Yes, of course.

Senator **Domenici**. Would you tell me, Mr. Secretary, what you mean in the use of the word unfunded?

Secretary **Califano**. I mean the funds are not there today to pay out for the liabilities that those systems have incurred.

Senator **Domenici**. As of today, or as of some future date?

Secretary **Califano**. As of today, they incur a certain amount of liability and the funds are not there today to pay for the liability. The people may still be on the work force, but they will all retire 10 or 20 years from now. This is the extent to which that has not been funded. The social security system, by the action of the Congress last year, however controversial, the Congress did take the step of providing that the necessary income will be there over the next 25 years roughly to pay for the social security liabilities that have been and will be incurred over that period of time.

Senator Domenici, you will note that there is a large spread in those numbers.

Senator **Domenici**. Yes.

Secretary **Califano**. Part of that is because our numbers are so inadequate, and most of those numbers come from studies that were done here in the Congress, and some of them from studies that were done in the Social Security Administration; but also the spread is because we still have a lot to learn about the extent of unfunded liabilities in both the State and local governments, and in our large employers. We don't keep statistics, and the numbers as well, as we should in those areas.

Senator **Domenici**. Thank you, Mr. Chairman.

Senator **DeConcini**. Mr. Chairman.

Senator **Church**. Yes, Senator DeConcini.

Senator **DeConcini**. With regard to Senator Domenici's question, are you going to suggest, Mr. Secretary, how you would arrive at a formula that will fund "unfunded" liabilities of private pension plans?

Secretary **Califano**. No; I do not suggest that, Senator. As you see in my statement, I have gathered all the numbers as best we can gather them from our own sources and studies that have been done here on the Hill, to lay them out before this committee I do not come today with specific recommendations in those areas or in other areas.

Senator **DeConcini**. I am concerned, Mr. Secretary, that your testimony may leave the impression among American workers that their pension funds are not funded, and are not going to be available through the balance of their lives. I hope you are in the position to substantiate your information, because that is a very threatening prospect for an autoworker who is planning on his pension from the United Auto Workers Pension Fund, for example.

Secretary **Califano**. Let me say, Senator, I do not believe that among the pension funds I am mentioning is the United Auto Workers Pension Fund.

Senator **DeConcini**. What about some of the others?

Secretary **Califano**. I will be happy to submit the support, for all those numbers to this committee. There are studies at HEW and studies that have been done by the labor committees here in the Congress. As I emphasize in the very next paragraph of my prepared statement, I do not cite those numbers to alarm people, for they are subject to all the hazards of estimating, particularly, the State and local numbers and the numbers with respect to private pension plans, because we have not been collecting statistics systematically as we should in those areas.

Senator **DECONCINI**. I would like to see this background material.

Secretary **CALIFANO**. I do think, Senator, it is very important that as a nation we focus early on these problems and what is happening to our country, because as a nation, and as a people, we obviously have an obligation to take care of our people in their older years.

Senator **DECONCINI**. Thank you, Mr. Chairman.

Senator **CHURCH**. Certainly, Senator.

[Subsequent to the hearing, Secretary Califano supplied the following information:]

Information on unfunded pension liabilities is taken from a paper by Alicia H. Munnell and Ann M. Connolly.[1] The paper is cited in a footnote in a copy of the galley proofs of a chapter from the House Task Force on Pension Plans. The estimates, which Munnell and Connolly warn against interpreting with more precision than they deserve, are in the following table:

Estimates of Civil Service, State-local, and military unfunded pension liabilities (in billions) [2]

Civil service	$164
State-local	270
Military	195
Total	629

The total unfunded pension liability, they claim, is an estimated $629 billion, a total of the Civil Service, State-local, and military pensions. Munnell and Connolly do not state the dates for their figures, but other data in the article lead to the conclusion that they are referring to 1975 figures for their calculations.

Secretary **CALIFANO**. As I mentioned, these figures, I should emphasize, are subject to the hazards that afflict all estimates. I cite them not to alarm, simply to inform. What I have just described is a shift in the age of our population; the shift in resources that has followed is both inevitable and natural.

Indeed the presence in our society of a growing elderlypopulation is as much a blessing as a cause for concern. It speaks to the success we have had as a Nation in improving the health and well-being of all our citizens, in making the advances of the medical sciences more broadly available, and in being able to respond to the changing needs of citizens of all ages. If we are spending more on behalf of older Americans, that is only as it should be. It is one mark of the respect in which society holds the older generation.

TODAY'S YOUTH: THE FUTURE ELDERLY

Nor is the effort we make on behalf of the elderly unrelated to our own lives. The taxes that younger American workers pay on what they earn today not only assure their own futures, they make possible a better future for all generations. With medicare paying for the medical needs of elderly parents, the earnings of the young can be used for education or the down payment on a home. We may, as family members, choose to live with different generations under different roofs, but we remain members of our families wherever we may live; the economic choices made by any one generation affect all generations.

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[1] "Funding Government Pensions: State-Local, Civil Service, and Military" in Funding Government Pensions: Issues and Implications for Financial Markets.

[2] Ibid., pp. 73–74.

Indeed, as Senator Church noted, "the elderly" are ourselves—and our children. The commitments we make to the elderly of tomorrow are no less than the commitments which we all make to ourselves.

As our population 65 and older grows, the proportion of dependent children will decline. In 1960, 40 percent of our population was under 20. Today, the figure is about 33 percent; by 2025, it will fall to 27 percent. Although public programs for the elderly are expensive, to some extent the reduced burden of caring for younger citizens can offset rising expenses for the elderly.

We are a compassionate society. And a compassionate society faced with such facts must make sure it has the capacity to meet future obligations.

How shall we deal with the fiscal pressure that has been building up—and will continue to build up—within our system caring for of older citizens?

We must first ask some difficult and searching questions: Questions that go beyond immediate problems and quick fixes, for it may be that the old assumptions upon which we have based our programs for the aging are no longer adequate.

Today, let me raise four such questions: Questions that must form part of our national agenda for the remaining years of this century.

The first is this: How adequate are our definitions of "old age" and "retirement"?

What, after all, is old age? In 1900, when only 4 percent of Americans were 65 or over, 65 was clearly old. Today, the advance of health and life expectancies may make 65 a benchmark more arbitrary than reliable.

How to Define "Retirement"?

And how shall we define "retirement"?

At present, we operate with two distinct conceptions of retirement.

The first and more traditional one is support for workers who have reached old age and can no longer work.

The second, more recent conception views retirement as a reward not necessarily related to old age, simply a reward for a certain period of work—typically 20 to 30 years. In the military, for example, a pension is available after only 20 years of service, regardless of age. Workers in the Federal civil service, and in many State and local governments, can retire on full pension at age 55 with 30 years of service. This second conception of retirement is more expensive; it is born of the rich choices that affluence without inflation seemed to offer in past years.

There are reasons to wonder aloud whether the trend toward even earlier retirement is a trend in the right direction. A 1974 poll, for example, indicated that 4 million people 65 and over wanted to work, but were not doing so. With increased life expectancy, improving health, and steady increases in the education level of the elderly, this attitude could doubtless spread.

In 1940, the median educational attainment of persons 60 and over was 8 years; a dozen years from now it will have risen to 12 years.

Although in 1977, only 18 percent of persons in the 65 to 69 year age group had been to college, the proportion will rise to 45 percent by the year 2017.

It makes little sense—social, economic, or commonsense—for the skills and talents of millions of healthy older citizens to be wasted.

Thus, if we rethink our retirement policy, one place to start is with existing incentives for early retirement. Social security is now available, on an actuarially reduced basis, at age 62. Many pension plans provide benefits at that age or earlier with no reduction in benefits. Indeed, in 1978, the Federal Government will pay more than $19 billion dollars in retirement benefits to persons under 65, reduced benefits under social security. Some people almost feel compelled to retire early.

Incentive for Later Retirement

Perhaps we ought to consider different kinds of incentives; for example, like those provided in last year's social security amendments which increase a worker's retirement benefits by 3 percent each year of work past 65.

Or we might explore new kinds of work arrangements that might accommodate greater numbers of older Americans in the work force, such as phased retirement and increased part-time work. One study suggested that as many as four out of five workers would prefer to reduce their years of retirement and redistribute more leisure in the middle years of life, and this highlights the need for more flexible career patterns.

Some have objected that moving toward later retirement will mean fewer jobs for younger workers, an understandable argument in a time of high youth unemployment. But it is an argument that loses some force in a time of steady economic growth, or as the job market tightens. We must remember that when older citizens work, they create new jobs, and that the job market is not a confined space with a precisely limited number of jobs. The jobs that elderly Americans might retain are not necessarily the same jobs that youth would seek.

We should approach the issue with caution. Any shift in retirement age must not come overnight; it cannot come by the sudden act of any one person or institution. But we should focus national debate on whether—and how—to effect a gradual change in our system of incentives and expectations concerning retirement.

Let me suggest a second question for the future: Should we restructure our existing, uncoordinated mechanisms, private and public, for providing income security to older citizens?

The social security system dominates the pension landscape not simply in size but in reliability. Unlike most employer pension plans, it covers almost the entire population. It provides more effective protection against inflation than pension plans or savings. It is, quite simply, probably the grandest and most successful social experiment of our age. Without it, the number of older Americans in 1976 with incomes below the proverty line would have more than tripled—to a total of 10 million people.

ONE-QUARTER POOR OR NEAR-POOR

Even today, however, about one-quarter of the elderly are either poor or "near poor"; that is, their incomes are less than 125 percent of the poverty line. For minority elderly and women living alone, escape from proverty has been the most difficult. So we cannot become complacent about the elderly poor, but neither should we overlook the progress we have made. Twenty years ago, more than one person in three, age 65 or over, was below the poverty line; today, due in large part to social security, the fraction has fallen to one in seven.

Senator **CHURCH**. Mr. Secretary, may I ask at this point, why have we been unable to eliminate poverty altogether? It is true that we have made progress, but there are still large numbers of retired people living in poverty; particularly, as you point out, among minority groups and women;

Social security has been in existence for more than 40 years. It was intended to provide a retirement income for our citizens sufficient to cover at least the necessities of life. But, as you have testified, about one-quarter of the elderly are either poor or near poor. Now, we have tried in various ways to reach them. The whole effort in the Congress to establish a supplemental security income program was to reach down to those people who are living in poverty and getting so little in the way of retirement income. Yet, we never seem to get the job done. Is there a way?

Secretary **CALIFANO**. Mr. Chairman, in the context of providing adequate funds or services, yes; there is a way to provide them with those funds and services, but it would cost more money. The supplemental security income program, insofar as the Federal contribution is concerned, provides an amount of money that is not sufficient to raise someone out of poverty. The extent to which people on supplemental security income are receiving that money, on the basis of age, or above the poverty line, becomes a function of the extent to which States match those benefits and function where they live in rural or urban areas.

I mean we can do it. If you just take social security alone, it gives you a sense of how many people we can reach. In 1976, if we had not had the social security system, 60 percent of our senior citizens would have been below the poverty line in terms of their income, so it has had a phenomenal impact, but it is a function of providing additional funds, and it is a function of whether or not we are willing to make the judgment as a country to do that.

Senator **CHURCH**. But if we were to modify the supplemental security income program in such a way to bring everyone within the social security system to a level of retirement income that at least equaled or exceeded the poverty line as defined by the Federal Government, then we would pretty well eliminate poverty among the elderly in this country, would we not?

Secretary **CALIFANO**. Yes, Mr. Chairman, we would, providing at the same time we do have medicare and medicaid benefits.

DETERRING WELFARE COSTS

Senator **CHURCH**. Yes, of course. That bundle of benefits plus a retirement income supplemented to take care of those who otherwise live in poverty could eliminate this problem. You speak of the cost of it, but wouldn't the cost at least in part be mitigated by the elimination of the need to pay these people welfare and other special benefits?

Secretary **CALIFANO**. Yes; it would. To the extent that we picked up what State and local governments are now doing, yes; that is correct, it would. There might still be that net cost, but you cannot take the gross number. You are absolutely right about that.

Senator **CHURCH**. I wish that your Department would furnish this committee with an estimate of the cost—that is, the net cost—taking into consideration the savings that might be realized on the welfare side if we were to increase the supplemental payment sufficiently to bring everyone within the social security system above the poverty line. Would you do that?

Secretary **CALIFANO**. Yes, Mr. Chairman.

Senator **CHURCH**. Thank you.

[Subsequent to the hearing, Secretary Califano supplied the following information:]

Under the SSI program, States spend approximately $1.5 billion each fiscal year in supplementation costs. Raising the Federal SSI guarantee to the poverty level would reduce State expenditures by about 70 percent.

The 1978 nonfarm poverty line for a head of household age 65 or older is $3,080. Estimates of the minimum cost—the cost for people already receiving SSI—and the maximum cost—the cost for everyone eligible to receive SSI payments—if the Federal SSI guarantee for an individual were raised to the $3,080 amount for the period July 1, 1977, through June 30, 1978, are shown below:

Minimum estimate:	
Program costs (billion)	$8. 3
Beneficiaries (million)	4. 2
Maximum estimate:	
Program costs (billion)	12. 2
Beneficiaries (million)	9. 3

RAISING THE FEDERAL SSI GUARANTEE TO THE POVERTY LINE

Several questions arise in raising the Federal SSI guarantee to the poverty level: (1) What year should be used? and (2) which poverty line should be used?

First, the poverty line is published on a calendar year basis while the SSI guarantee is changed every July 1 and is in effect until the following June 30th. Because changes in the poverty line and the current SSI guarantee do not occur at the same time, if one selects, say, the 1977 poverty line, then from July to December 1977 people would have incomes at the poverty line; for the next 6 months their incomes would be below the poverty line. On the other hand, if one starts with the 1978 poverty line, people's income would always be at the poverty line or above. However, for the 6 months July to December, their income would be above the poverty line.

Second, "the poverty line" can be numerous different levels. The levels differ according to the age of the head of the household, the sex of the head of the household, family size, and nonfarm/farm settings. Therefore, the poverty line selected would affect the objective of eliminating poverty for the SSI population. If a new SSI guarantee were established which would equal the poverty line for an aged head of household, then all disabled people would have incomes below the poverty line; if the guarantee were equal to the poverty line for a nonaged head of household, then aged people would have incomes above their poverty level.

Finally, there is a difference in the relationship between singles and couples. While the Federal SSI guarantee for a couple is one and a half times the guarantee to an individual, the poverty line for a couple is less than 30 percent more than the poverty line for an individual.

For this request, one option has been provided—a Federal guarantee equal to the estimated 1978 poverty line for aged heads of households—$3,080 a year. The nonfarm poverty line was used since no one in a metropolitan area would be at or above poverty using either the farm or the average poverty level. For the same reason, the poverty line for a male-headed household was used. Also, a guarantee that replicates the poverty lines for individuals and couples was used.

One final point should be made. Even with a Federal guarantee equal to the poverty line, not all SSI beneficiaries would appear in subsequent census surveys as having income at or above the poverty line. Due to the payment variations in the program, people living in another's household or in an institution still would be classified as below poverty.

Secretary Califano. The social security program does not, as important as it is, work in isolation. As you know, Mr. Chairman, there is the supplemental security income, and last year it reached 2.3 million aged beneficiaries, about 70 percent of whom also received social security.

There are 68 different retirement plans in the Federal Government, more than 6,000 State and local pension plans, and thousands of private plans. Jointly, they pay out close to $50 billion each year in benefits. Of all new social security retirees, fully half have other pension income.

Senator Domenici. How many?

Secretary Califano. Half.

Senator Domenici. Of all the new social security retirees?

Secretary Califano. Yes.

Senator Domenici. Would you have any information, Mr. Secretary, on the broader question of what percentage of social security recipients have other income?

Secretary Califano. We have some information. I can provide that in detail for the committee. It increases as we get newer retirees; it is fewer in the older retirees.

[Subsequent to the hearing, Secretary Califano supplied the following information:]

As table 2 (submitted to the current Social Security Advisory Council) shows, most beneficiaries have other income; e.g., 57 percent had income from assets, 24 percent with earnings, about 30 percent with a second pension. However, it must also be brought to the committee's attention that for significant proportions of beneficiaries, social security provides more than half their income—over half of the married couples and three-quarters of the non-married. Earnings were the major source of income for only a third of aged units in 1976 and only about 1 in 10 of recipients were majorly dependent on income from assets or private pensions. The survey of newly entitled retired workers (conducted 1968–70) indicated that, at least for the married couples where the man was the sample person, the proportion receiving another pension at age 65 may be increasing.

TABLE 2.—INCOME SOURCE BY YEAR, PERCENT OF AGED UNITS 65 AND OLDER WITH MONEY INCOME FROM SPECIFIED SOURCES, BY MARITAL STATUS AND BENEFICIARY STATUS

Income source	All units				Married couples				Nonmarried persons			
	1962	1967	1971	1976	1962	1967	1971	1976	1962	1967	1971	1976
Total (in thousands)	14, 176	15, 779	15, 63[illegible]	17, 321	5, 445	5, 989	6, 300	6, 799	8, 731	9, 789	9, 336	10, 522
Percent of units with—												
Reitement pensions	74	89	90	92	84	90	92	93	67	89	88	92
Social security [1]	69	86	87	89	79	87	89	90	62	85	85	88
Railroad retirement	4	4	(2)	3	4	5	(2)	4	3	3	(2)	3
Government employee pension	5	6	6	9	7	7	8	12	4	5	5	8
Private pension [3]	9	12	17	20	16	19	23	28	5	7	12	14
Earnings	36	27	31	25	55	46	49	41	24	15	18	16
Income from assets	54	50	49	56	63	60	58	66	48	44	43	49
Public assistance	13	12	10	11	8	6	6	6	17	15	13	15
Veterans' benefits	10	10	8	6	14	12	8	6	8	9	8	6
Beneficiaries [4] (in thousands)	8, 647	12, 446	12, 760	15, 340	3, 743	4, 913	5, 323	6, 175	4, 904	7, 533	7, 437	9, 215
Percent of units with—												
Retirement pensions	100	100	100	100	100	100	100	100	100	100	100	100
Social security [1]	100	100	100	100	100	100	100	100	100	100	100	100
Railroad retirement	2	2	(2)	2	2	2	(2)	3	2	2	(2)	2
Government employee pension	5	6	5	9	6	7	8	12	4	5	4	7
Private pension [3]	13	13	18	21	20	21	25	31	7	8	13	15
Earnings	36	26	27	24	50	43	43	38	26	16	16	14
Income from assets	59	52	50	57	65	60	58	67	55	47	45	51
Public assistance	8	8	8	10	6	5	6	5	9	11	9	12
Veterans' benefits (in thousands)	11	11	8	6	14	13	9	6	8	10	8	6
Nonbeneficiaries (in thousands)	4, 466	2, 146	2, 082	1, 981	1, 120	720	663	674	3, 346	1, 426	1, 419	1, 307
Percent of units with—												
Retirement pensions	16	24	(5)	33	25	25	(5)	34	12	27	(5)	32
Social security												
Railroad retirement	8	16	(2)	13	12	17	(2)	15	6	15	(2)	13
Government employee pension	6	9	11	14	11	8	11	14	5	10	11	14
Private pension [3]	2	3	8	7	3	2	7	8	1	3	8	7
Earnings	31	29	45	39	64	65	81	58	19	13	28	24
Income from assets	43	39	39	47	62	57	52	64	37	31	33	38
Public assistance	27	31	26	24	14	11	9	8	31	41	35	31
Veterans' benefits	9	8	7	5	14	7	6	4	7	8	8	5

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[1] The 1971 figure is an estimate based on information from the CPS and MER combined.

[2] Unknown.

[3] For 1971, includes private annuities.

[4] Excludes beneficiaries who received their first benefit in February of the survey year or later, transitionally insured, and special age 72 beneficiaries. Beneficiaries may be receiving retired worker benefits, dependents' or survivors' benefits, or disability benefits.

[5] Receipt of retirement pensions is not reported for nonbeneficiaries in 1971 because the inability to separate out railroad retirement benefits from social security has a large effect on this small group.

Source: March 1977 Current Population Survey, and Income of the Population Aged 60, and Older, 1971 (staff paper No. 26). Social Security Administration, table 10.

Senator DeConcini. Mr. Chairman, may I ask the Secretary a question?

Senator Church. Yes, of course.

Governmental Retirement Systems

Senator DeConcini. Mr. Secretary, would you care to express an opinion about the large number of governmental retirement systems? Do you believe there ought to be some consolidation of the 68 different retirement plans in the Federal Government?

Secretary Califano. When the Congress voted the Social Security Act last year, it ordered a series of studies, one of which would go to making the social security system universal. If you did that, you would have to integrate these other retirement plans. The President also, a year of so ago, suggested the creation of a Presidential Commission on Retirement Systems, and I think we should look at that.

Senator DeConcini. When do you think you will have something on that?

Secretary Califano. We are beginning the study on integration. I have just found someone to take that study on. The Social Security Advisory Committee, which the Congress set up, is already functioning and their report will be finished by the end of next year. Their report will include some attention to the integration of the social security system, but obviously in terms of efficiency, in terms of the realities of the situation, and in terms of making sense, there should be some consolidation of these 68 retirement plans.

Senator DeConcini. When will your study be finished? Do you have any tentative date?

Secretary Califano. The study will be finished by the end of next year, and we would like the other study to be finished at that time as well so we can have intelligent recommendations before the Congress by that time.

Senator DeConcini. Thank you.

Secretary Califano. There are some areas, Senator DeConcini, in which I think hearings will be held independently, such as the social security disability program. Both Chairman Long and Chairman Ullman, indicate that they want me to come up with recommendations for changes there.

Senator DeConcini. Thank you, Mr. Chairman.

Secretary Califano. Another way we help support the elderly is through tax expenditures. Tax breaks accorded to pension plans and social security income, and for elderly taxpayers, will total more than $19 billion in fiscal year 1978.

Finally, there are private savings, which provide an estimated $15 to $20 billion in income to retirees.

These sources of support add up to a substantial sum, but they leave us caught between two conflicting needs: The need to keep future costs under control, and the need to increase benefits for people whose income is inadequate. Resolving this problem depends in part upon the total amount that society is willing to commit for income maintenance, but it depends as well on integrating this patchwork of systems more effectively, and managing the resources we do provide so that they do the most good.

A basic question, then, is what the ratio should be between income earned before retirement and income thereafter. For new retirees aged 65, this ratio today stands at about 47 percent.

But beyond this ratio lie questions of how the overall system treats those at the top—and at the bottom—of the scale.

Today, social security benefits are wholly exempt from taxes. It seems at least open to discussion whether a wealthy lawyer, doctor, or business executive with a $50,000 pension should receive tax-free social security benefits.

Senator DECONCINI. Mr. Secretary, since social security is exempt from taxes, what justification is there for not exempting other pension plans when they are not supplemented by social security?

Secretary CALIFANO. Some pension plans are exempted in greater or lesser degree, depending upon the tax laws, which become very complicated and sophisticated in this area, and it is beyond my area of knowledge or expertise.

Senator CHURCH. We do have a tax credit for the elderly that is intended to give comparable tax treatment for Government pensions, with little or no social security benefits.

Senator DECONCINI. It does not equal.

Senator CHURCH. No; but that is the intent.

Senator DECONCINI. It does not equal the nontaxation of social security.

Senator CHURCH. No; but this is because we have failed to perfect the formula sufficiently to keep it working at that level.

Senator DECONCINI. Do you think that the tax-exempt benefits are any incentive to keep people in the social security system?

Secretary CALIFANO. Part of the reason for those being tax exempt is that they are taxable income to individuals who are paying those benefits while they are working. Now, I raise that question in this larger context of our current needs, and those people who have substantial outside pensions from other places. It seems to me all of this is part of the need for this country to look at the whole income maintenance area with respect to our elderly citizens, as one area, and get a much better handle on the relationship between one system and the other.

There are portions of social security now, people who receive social security benefits, who are getting far more proportionately than they paid into it, and in that sense your point about the private pension plan in a comparable situation as a private pension plan has to be taxed.

Senator DECONCINI. Thank you.

HIGHER SSI OR SOCIAL SECURITY BENEFITS?

Secretary CALIFANO. At the other end of the scale, we have to consider the plight of those for whom social security benefits are the sole source of income, and whose earning record may not entitle them to the greatest amount. Today, the ratio between contributions and benefits is not fixed: For low-income workers, the ratio is 61 percent, to help make benefits more adequate; for high-income workers, it falls to 35 percent. This is one strategy for helping to reduce poverty among older Americans. But are we doing enough? And should we do more? Is this the best way to bring people out of poverty, or is a system like supplemental security income—which focuses income only on those at the low end of the income scale—a more efficient method? How do we compare the value of efficiency and the resources it frees for serving unmet needs against the genius of the social security system—that it brings independence to many people who would otherwise be poor, and does so with dignity, with no means test?

Senator CHURCH. In asking the question, Mr. Secretary, can you furnish us with your answer?

Secretary CALIFANO. Mr. Chairman, I am not certain of the answer to this question. I have specifically asked these questions of the Social Security Advisory Committee, because I think one thing that should be looked at is the relationship between the supplemental security income program and the social security program.

Senator CHURCH. Well, I do, too, because if you could increase the ratio of the pension as the income level falls, you have a built-in system of adjustment which does not require the kind of administrative cost and the constant policing that goes on in the supplemental security income program. Every SSI recipient must disclose how much he has in the bank and other assets. It is a cumbersome and costly procedure, requiring a good deal of governmental interference in one's private affairs. If there is a better way of doing it, I think we ought to explore it.

Secretary CALIFANO. It is also more prone to error when all those computations have to be made.

Senator CHURCH. Yes.

Secretary CALIFANO. A critical question that affects persons all along the income scale is the relationship between private and public pensions. Private pensions have spread so that they now cover about 45 percent of the work force, but that growth occurred in a period when inflation was persistent.

If the capacity of private pension plans to assume a major role in providing retirement income is called into question, do we wish to continue to encourage the creation of this layer on top of social security? At present, we do just that by providing substantial tax benefits for contributions to pension plans.

Are we comfortable with a system in which some retirees pile up the maximum social security benefits on top of generous pensions, while other retirees have no pension income and find social security barely enough to get by on? Or would it make more sense to recoup those tax benefits and apply them to more generous and widespread social security coverage?

Senator CHURCH. Are you suggesting here that it might be advisable to scrap the private pension system?

Secretary CALIFANO. No, Mr. Chairman. What I am suggesting is that when we look at the social security system, which has now become such a large part of the landscape of retirement, that we really have to look at all the other retirement systems at the same time. I am simply raising the question as to whether or not what we once perceived to be a very good relationship between the social security system and the private pension system is the right relationship for today and for the future, in the context of the large numbers of people we will have in this country who will be retired.

I don't know the answers to these questions. Again, they are part of what will be done and the studies are being done by the HEW.

UNIVERSAL SOCIAL SECURITY?

A final income security issue that deserves consideration—and one we are examining in a congressionally mandated study—is whether social security coverage should be extended to all employees, including public and nonprofit workers. About 45 percent of civil service annuitants receive social security in addition to their Federal pensions, and many receive a second pension as well. When workers move in and out of covered employment, many obtain a handsome combination of pensions and social security. Some may fail to qualify for substantial benefits either in pension plans or under social security. Income maintenance policy should not be a game with complex rules, winners who get windfalls and losers who get nothing; it should be a rational system for meeting definable human needs. If universal social security coverage is not the answer, we must find another method of filling the gaps and eliminating abuses.

Beyond the questions of retirement and income security, a third question of policy arises: How shall we deliver the services older citizens need—particularly health care—more compassionately and efficiently? This is a matter that has been of concern for the chairman and the committee for some time.

The passage of medicare and medicaid 13 years ago was a major step forward, particularly for older people who are poor or in need of acute care. Yet these programs face some serious problems, notably, inflation in the cost of health care. Between fiscal years 1976 and 1978, for example, costs were up 40 percent in these programs, with little increase in the covered population or in benefits.

Between this year and the year 2025, we estimate that expenses for persons over 65 under the medicare and medicaid programs will increase, in real terms, more than 10 times—twice as fast a pace as the increases in social security. The inflation that these figures reflect is especially harsh on the elderly, given their great needs and their reliance on fixed incomes. Containment of health costs is thus of especially urgent importance to the elderly population.

While we should be concerned about costs, we must be at least equally concerned about the shortcomings of this expensive system. For all the money we spend, major needs remain unmet. As the elderly population increases—especially those 75 and over, who are especially likely to have serious health problems—these needs will increase. Even with medicaid and medicare, many older citizens today must pay large amounts out-of-pocket for health care. In 1976, these out-of-pocket expenses averaged over $400—virtually the same in real terms as they were before medicare and medicaid arrived. We must build a more rational, comprehensive, efficient, and human system for delivering health services.

OUT-OF-POCKET HEALTH COSTS

Senator CHURCH. Now let's stop there for just a minute, Mr. Secretary. I have been aware of a figure that you mentioned. Today, out-of-pocket expenses for the elderly for medical care exceed what was paid out by the elderly for medical care prior to the enactment of the medicare and medicaid programs. But I have never been told, and perhaps you can inform the committee, concerning what these out-of-pocket expenses consist of. Are these out-of-pocket expenses for drugs that must be purchased, dental care, eyeglasses, or foot care, or medical examinations which are not covered by medicare, and the like——

Senator **Percy**. Hearing aids are another item on that list.

Senator **Church**. Another expense has been mentioned. Or do they come mainly from the doctors' fees that must be paid by the elderly over and above the fee authorized by medicare?

Secretary **Califano**. Mr. Chairman, in addition, also, of course, a part of it comes from the premium that must be paid under medicare.

Senator **Church**. Yes.

Secretary **Califano**. I can't give you the portion of those expenses. I will submit that for the record.

[Subsequent to the hearing, Secretary Califano supplied the following information:]

The following chart shows a breakdown of health care expenditures by age groups for fiscal years 1974–76. As you will note, for the 65-and-over group, medicare covered 40 percent of the amount spent on physician services, and none of the expenditures for dentists' services, eyeglasses and appliances, and drugs. In fiscal year 1976, the per capita expenditures for the elderly for these last three categories were estimated at approximately $32, $19, and $21, respectively.

ESTIMATED AMOUNT AND PERCENTAGE DISTRIBUTION OF PERSONAL HEALTH CARE EXPENDITURES FOR THE AGED, BY TYPE OF EXPENDITURE AND SOURCE OF FUNDS, FISCAL YEARS 1971-76

Type of expenditure	Amount (in millions)						Percentage distribution					
			Public						Public			
	Total	Private	Total	Medicare	Medicaid	Other	Total	Private	Total	Medicare	Medicaid	Other
1976[1]												
Total	$34,853	$11,248	$22,605	$14,953	$5,589	$3,063	100.0	33.2	67.7	42.0	16.0	8.8
Hospital care	15,775	1,425	14,360	11,179	523	2,618	100.0	9.0	91.0	70.9	3.3	16.8
Physicians' services	3,863	2,487	3,478	3,318	214	44	100.0	40.7	59.3	54.9	3.7	.7
Dentists' services	722	679	43	----------	31	12	100.0	94.1	5.9	----------	4.3	1.7
Other professional services	534	193	341	365	74	2	100.0	36.1	63.9	49.8	13.9	.4
Drugs and drug sundries	2,777	2,385	302	----------	389	4	100.0	85.9	14.1	----------	14.0	.1
Eyeglasses and appliances	432	423	8	----------	----------	8	100.0	98.1	1.9	----------	----------	1.9
Nursing home care	8,032	3,731	4,301	291	3,885	125	100.0	46.4	53.6	3.6	48.4	1.6
Other health services	717	24	683	----------	472	221	100.0	3.4	96.5	----------	65.9	30.8
1975[2]												
Total	29,832	9,550	20,281	12,723	4,771	2,787	100.0	32.0	68.0	42.6	15.0	9.3
Hospital care	13,611	1,087	12,427	9,547	453	2,428	100.0	8.0	92.0	70.6	3.3	18.0
Physicians' services	4,880	1,910	2,930	2,703	187	40	100.0	40.1	59.9	55.3	3.8	.8
Dentists' services	640	643	37	----------	38	11	100.0	94.2	5.8	----------	4.9	1.8
Other professional services	417	187	274	214	56	2	100.0	41.4	56.6	45.8	12.4	.4
Drugs and drug sundries	1,818	2,214	325	----------	321	3	100.0	87.2	12.8	----------	12.7	.1
Eyeglasses and appliances	389	308	8	----------	----------	8	100.0	97.9	2.1	----------	----------	2.1
Nursing-home care	6,501	3,091	3,800	259	3,433	106	100.0	44.9	55.1	3.8	49.8	1.6
Other health services	503	21	481	----------	294	187	100.0	4.2	95.7	----------	58.6	37.1
1974[2]												
Total	24,179	6,282	15,927	9,856	3,706	2,361	100.0	34.1	65.9	40.8	15.0	9.8
Hospital care	10,501	315	9,756	7,322	308	2,066	100.0	7.7	92.3	69.3	3.5	19.5
Physicians' services	3,811	1,511	2,802	2,190	158	34	100.0	38.8	61.2	56.3	4.1	.9
Dentists' services	641	542	30	----------	20	10	100.0	94.4	5.6	----------	3.7	1.9
Other professional services	381	313	178	134	42	2	100.0	53.3	46.7	35.2	11.1	.1
Drugs and drug sundries	2,315	2,000	273	----------	271	3	100.0	88.2	11.5	----------	11.7	.1
Eyeglasses and appliances	304	379	7	----------	----------	7	100.0	98.1	1.9	----------	----------	1.9
Nursing-home care	5,600	3,701	2,008	212	2,083	93	100.0	49.0	31.0	3.7	45.7	1.6
Other health services	412	30	383	----------	246	147	100.0	4.8	95.2	----------	59.6	33.0

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[1] Preliminary estimates.

[2] Revised estimates

Secretary Califano. Every expense you have mentioned is part of it. My own experience, when I am traveling outside Washington, and if our mail is any indication, drugs are a significant part of this, as are doctors' fees, above and beyond what we are paying, this whole issue of assignment of doctors' fees. Those are the two items on which we receive a tremendous amount of mail.

Of course, I have had doctors, for example, tell me that they have put elderly patients in the hospital in order to provide them with drugs that we will pay for in the hospital, particularly expensive drugs, like some of the anticancer drugs, because the doctors simply do not want to subject their patients to the burden, and some of their patients could not afford to purchase those drugs if they were being treated on an outpatient basis, even though they should be treated on an outpatient basis.

Senator Church. Well, it is clear that some of the rigidities that exist in the present system greatly and significantly contribute to the increased cost, unnecessary costs.

No "Alternatives" System

Secretary Califano. I agree, Mr. Chairman. Such a system would include: Adequate, supervised residential facilities for those who lack families but want to live in their communities; a range of alternatives between the hospital and the nursing home, including a system of home health care; innovative and compassionate ways of caring for the terminally ill outside the traditional hospital or nursing home.

Such a system is easy to describe, but it is nowhere to be found. We have, instead, a confusing, as you have indicated, and expensive patchwork of financing systems that spawn an even more inadequate delivery system.

The medicaid program, for example, has given great impetus to one industry—the nursing home industry. Between 1965 and 1976, total spending for nursing homes increased more than fourfold. Nearly 40 cents of each medicaid dollar goes to nursing homes, although these homes serve only 6 percent of medicaid beneficiaries. We know that nursing home care is not the most appropriate way to treat all those patients; in some cases it is also not the least expensive. Home health care might be a worthwhile alternative in many cases, yet less than 1 percent of medicaid money is used for this purpose.

And, in part because of medicare's focus on acute care, we have not yet developed an adequate system of community and home health care. In Sweden, for example, there is one home health aide for every 120 people; in this country, one for every 5,000. Providing care in the home setting can itself be therapeutic. We need to expand these services. But in doing so, we must find ways to manage them, so that their costs and quality remain under control. Home health services are delivered by a variety of providers throughout the community, and we will need to insure that services billed are in fact delivered; that services delivered are needed, appropriate, and of high quality. Serious questions are already being raised; we will have to be particularly watchful of this new industry as it develops.

I might add that we are doing surveys for home health care in Florida and in other States now, and finding that it is very difficult to measure what it is, what the services are, that the doctor is ordering and providing. For instance, what the client thinks he should be receiving. So it will not come overnight to this country.

Senator **Domenici**. Mr. Secretary, on that issue, are you merely surveying the home delivery of home health care, or are you trying to find out whether some of the arbitrary conditions—for instance, is there really any reason that you can only have home health care if you have been in the hospital prior to delivery?

Secretary **Califano**. No.

Senator **Domenici**. To me that is absolutely ridiculous. That is what you are administering now. I am not saying it is your fault, but that is what the present law says. Are we going to get some suggestions as to whether those kinds of requirements are counterproductive? I don't mean today, but are you doing that kind of thing?

Assessing Home Care

Secretary **Califano**. Yes, Senator. Obviously any national health plan would eliminate a lot of those incongruities in the current system, one of the most notable ones of which you mention. The assessment we are doing is looking at what home health care is now being delivered. We are interviewing the doctors, the clients that are receiving it, and those who are providing it. We are asking the doctor, "What do you want to provide for this client in home health care?" We are asking the providers what they think they are providing. We are asking the clients what they think they are receiving, or think they should receive. We are finding out that in many cases they have different views.

The second point is, we have to find a way to administer this in a fair way that will prevent the abuse and fraud on the one hand, and on the other hand, it will not create a monumental papermill. In terms of administration, it is easier if you have an institution, a building with 300 rooms, that you go and visit every day. It is more difficult when you have individuals visiting the homes. Many States are looking at this, too, in the context of their own licensing procedures. That is the survey I was mentioning. In addition to that, yes, particularly in connection with the national health insurance work we are doing, we are looking at the variety of the rational portions of existing law and existing regulations; but as you point out, Senator, much of it is in the statute itself, and there is not as much flexibility in terms of regulation as one would wish.

Senator **Domenici**. I just want to ask—with the chairman's permission—with reference to the arbitrariness of certain of the conditions for home health care, if you would look at Senate bill 2009 and give us your opinion as to whether or not it would eliminate some of the rigidity. Would you try to answer the question that we get from the Finance Committee regarding the additional costs of such an approach? You know, it seems to me we are never going to create flexibility and a broadened delivery short of national health insurance, which I don't think we ought to hold refinements to hostage for, but the answer always is to look at the changes separately and say, "that is going to pose 300 million more."

No one seems to tell us, on the other hand, "you won't go to the hospital as much." Doctors might prescribe home health care, whereas now we must hospitalize people in order for them to qualify for it. We need some of that kind of information in order to help promote the better delivery of some tools we already know exist. Could you do that for us?

Secretary Califano. Yes, I will, Senator.

Senator Domenici. I would appreciate that.

[Subsequent to the hearing, Secretary Califano supplied the following information:]

A major consideration in the recent deliberations surrounding the question of expanding home health benefits has been whether such expanded benefits can serve as a suitable alternative for otherwise required institutional care. While we do not dispute the argument that home health care can, under certain circumstances, provide a cost-effective alternative to institutional care, under other circumstances it is more cost-effective for a patient to enter an institution. Available evidence tends to be contradictory in supporting home health care as a cost-effective alternative to institutionalization. The Department believes that home care programs should be considered in terms of their own merit and not in relation to anticipated savings.

S. 2009 would remove the present 3-day hospitalization requirement for home health benefits under part A of medicare. We do not believe that such a liberalization, by itself, would lead to a decline in hospital admissions. There is no evidence that physicians hospitalize their patients to make them eligible for home health benefits or that they have any reason to do so. Home health benefits are also provided under the supplementary medical insurance program (part B), without the hospitalization requirement, and only 5 percent of the medicare beneficiary population do not have part B coverage.

Senator Percy. I join Senator Domenici in requesting that information. After receiving your testimony and seeing the ratio of the retention of personnel assigned to home health care, we can better judge the potential for that alternative. We took our committee out into the field, across the country, and investigated the scandalous conditions in the nursing homes, and reported on the terrible conditions found in some of the places visited.

We have not made the kind of progress in nursing home reform I had hoped we would make. I am more and more inclined, as I listen to testimony, to believe that the more we can do for home health care, meals-on-wheels, and other associated programs which keep people in their own neighborhoods, the lesser will be the costs. These programs seem more germane.

The answers must be found. The statistics you presented to us today ought to be one of the highest priority items to which we put our attention.

Thank you.

Accessibility: The Challenge

Secretary Califano. Beyond developing the right kinds of services, there is the problem of making them accessible. At present, an older person faces a bewildering maze that must be negotiated even to learn what services are available, much less to obtain the right kind and mix. How can we end the fragmentation of services for the elderly?

How can we insure that the needs of the elderly are properly identified, that people are not denied the care they need—and not given inappropriate or unduly expensive care? How can we create financial incentives that will discourage overuse of costly facilities?

Unfortunately, for too many of these questions, the only answer that our society can give is "We don't know yet."

It is time for all of us to begin considering the alternatives available for us as we seek to provide better services, more efficiently.

Shall we expand the coverage of existing programs? We could revise medicare and medicaid to create uniform home health benefits, relaxing restrictions that currently permit only skilled nursing services in certain situations. We might permit nonmedical personnal care services for the chronically ill. Or we could develop a financing system that covers an even broader range of health and social services—well beyond those currently covered by medicare and medicaid.

But we need to consider the problems as well as the attractions of such an approach. Extensions of benefits could seriously aggravate health inflation, while leading to the same kind of overuse of chronic care that we often see today for acute care. It could also reduce incentives for families to provide services on their own.

Alternatively, we could seek a major role for new delivery systems, such as special health maintenance organizations for the elderly. Conceivably, such organizations could provide a broader range of services than conventional HMO's; they would have incentives to carefully determine the health needs of participating patients and to find the most economical ways of treating them.

Senator CHURCH. Mr. Secretary, in that connection you have testified earlier that between now and 2025, the cost of medicare and medicaid is projected to increase more than 10 times, or twice as fast as the pace of increases in social security retirement benefits—in other words, twice as fast as the general inflation. At the same time, you are talking about national health insurance extending this kind of program to everybody. For the life of me, I never understood how we could possibly provide national health insurance for everybody when we cannot effectively manage the spiraling costs of present programs that are limited to the people who need them most—the elderly, the indigent, and the dependent.

Unless you can provide me with an answer, I assume there is none. The present medical delivery system in this country is so expensive. Doctors, on the whole, are among our most affluent citizens. For the taxpayer to pay all this and to extend it to everybody seems to me to be utterly unrealistic. So we look for some kind of improvement in the medical delivery system in this country. One of our experiments has been the health maintenance organization.

What has experience shown with this organization? Does it, in fact, reduce the cost of adequate medical treatment for those who participate? What do we know about it? Is it a successful experiment to date, based upon experience, or is it just still a theoretical proposition?

HMO's AND THE FUTURE

Secretary CALIFANO. Mr. Chairman, we believe that the health maintenance organizations have a substantial role to play in the medical care system. We believe that they have demonstrated that they can substantially reduce costs. The well-run health maintenance organizations have medical costs that are anywhere from 15 to 30 percent below comparable populations on the traditional fee for service basis. Second, they reduce hospitalization and surgery very substantially, by anywhere from 25 to 50 percent or more. So we look upon them not as the only institutions we should have.

One of the things they can provide is some competition in the system. There is no incentive to be efficient in the current system, because the patient who is getting the service is not paying, in most cases, particularly where hospitalization is concerned. Some third party pays for it, so the customer does not pay. The customer is not ordering the service, in the sense that the doctor is ordering the service that is provided, whether it is surgery, or pills, or drugs, or some course of therapy, and the person ordering the service—namely, the doctor—is not paying. So, it is all the things that make American industry so great in terms of competition, and that makes the relationship between buyer and seller so good in the commercial market that are all absent here. We remember the HMO's as one means of providing some competition and some creative economic tension in a system that desperately needs it.

Senator Church. What percentage of our people today receive their medical treatment through HMO?

Secretary Califano. A very small percentage, Mr. Chairman. We are taking steps to increase it. I would hazard a guess from 2 or 3 percent, but I would like to submit the exact number for the record.

[Subsequent to the hearing, Secretary Califano supplied the following information:]

> The percentage of people receiving treatment through HMO's is 3.3 percent or 7 million people.

Secretary Califano. We have sharply increased the number of people being served by qualified HMO's in the last year, largely by qualifying the entire HMO system. Once an HMO is qualified today in their community, then any employer in that community of significance must offer an HMO as an alternative. I have also gone to the large corporations.

We invited the Fortune 500 or 800 in here about 6 months ago, and many of them are interested in HMO's, and in starting them, because they are being so pressed now by this phenomenal increase in health care cost. I think the automobile industry is going to create an HMO in Detroit, and some of the other large corporations in this country are looking at it. They offer tremendous advantages because they have their own employees, because they have the ability to incur the early capital costs that are necessary in these organizations.

Mr. Chairman, I would like to make just one comment on what you said about national health insurance. Given what will happen to medicare and medicaid, if we do nothing in 1983, this country will spend $313 billion or more on health care using the current CEA projections of inflation.

Senator Domenici. Private and public?

Secretary Califano. That is everything, private and public. I believe that as part and parcel of the national health plan, we must bring these costs under control, both by providing containment measures and by providing incentives. There is so much inflation in this system now, the objective of any national health plan should be aided and it would substantially reduce the per unit cost of health care in this country than what it would otherwise be without a health plan.

Second, it would reduce——

Senator Church. Mr. Secretary, that has not been our experience in medicare and medicaid. Unless you are going to really depart from that kind of concept and make fundamental changes in the health delivery system, I don't see how you are going to reduce this.

Cost Containment Proposals

Secretary **Califano.** I think, Mr. Chairman, it has not been our experience under medicare and medicaid. The issue will be the extent to which both we as the administration have the will, and the Congress, as a branch of government, has the will to impose some of the kinds of cost containment measures. One is pending now on the House side, and it has been passed out by the Senate Human Resources Committee here, with respect to hospital cost containment, and also provides the kinds of incentives that are necessary to bring the rate of inflation down in that system, and that is a very real question.

Can we devise proposals that will hold those costs? Sure we can devise proposals that will hold those costs. Will they be acceptable to our society, as represented by the elected officials in the Senate and the House? That is a very serious question. It is part of what we will, as a part of any national health plan—propose measures that will bring this galloping elephant under some control.

Senator **Percy.** Mr. Secretary, before we try to solve the whole problem this morning, I wonder if I could just come back to your statement on HMO's. I propose that we might examine data on special health maintenance organizations for the elderly.

I always felt HMO's were worth exploring; it was a new approach that was worthy of experimentation. Are you familiar with the studies of the subcommittee on HMO's?

Secretary **Califano.** I am.

Senator **Percy.** As I recall, those studies indicated there are many special problems involved with HMO's taking care of the aging. We found the elderly were reticent to complain about costs, for instance. They pointed out their problems to our investigators, but they said they were reluctant to complain about it to the HMO people. We found they are often taken advantage of. They were not receiving the quality care to which they were entitled.

I am deeply concerned about the treatment of the elderly in HMO's and sensitive to the need for a highened awareness of the danger spot, which studies conclude exists.

Secretary **Califano.** Senator, we are aware of those studies. Indeed we are vigorously supporting legislation that has grown out of the work of that committee in this area.

Senator **Percy.** We have had full cooperation from your department in that regard. It has been a joint effort and one of grave concern to this committee. Upon first observation, elderly HMO's looked like a very good idea, but there are ways unscrupulous operators have found to abuse this idea.

Secretary **Califano.** Because of the high risk population they would serve, these HMO's would be more costly than conventional ones. Nonetheless, we believe the idea is worth exploring; we have already proposed legislation to permit medicaid and medicare funds to be used to pay for participation in more conventional HMO's.

Third, there is the alternative of creating a separate financing and delivery system for long-term care, a new Federal program of long-term care. This means separating home health or other long-term care services from our present third-party payment mechanisms for health care, and possibly integrating long-term care with the delivery of other social services. This could make long-term care more controllable as a budget item, and reduce both the fragmentation of services and the bias toward institutional care. However, we must insure that any system we create has the capacity to provide services for patients who need them.

I might note that we are in the midst, Mr. Chairman, of a long-term study of long-term care in HEW, which I hope we will complete next year. Your staff is familiar with the work on that.

If health care costs threatened to exceed our capacity to pay for them, we may be forced over the long haul to consider a greater use of coinsurance and other means that would enable citizens to choose and pay for their own services; ways of giving citizens both greater choice and great incentives to economize. This could mean offering persons currently covered by medicare and medicaid either greater additional cash payments, or vouchers, like food stamps, that could be used for health services. This approach also poses great risks, however, that the incentive to economize might become an incentive not to obtain needed treatment.

RESEARCH AND TRAINING

Finally, as we seek to improve the delivery of health services, we must not forget the critical role of research and training. We need to learn more about the diseases that afflict the elderly, and how these diseases can be treated most effectively. I cite the story in the Washing Post[1] this morning on that subject.

These approaches are not mutually exclusive. Each promises certain benefits—and certain dangers. But it is time to begin debating them; to hammer out a genuine national health and service policy for the elderly: A policy that balances our generosity in meeting critical needs with our ability to pay.

Our ability to deal prudently with these urgent concerns of the elderly—income security and health care—will largely determine how well we are able to do at meeting other vital needs of older citizens, especially social services.

Under the Older Americans Act, the Administration on Aging, the State agencies on aging, and 600 area agencies on aging help insure that a wide range of social, nutrition, and health related services are made available to older people: By serving as advocates for the elderly at Federal, State, and local levels to insure that needs are met; by bringing together public and private agencies which do or should service older persons in order to improve the comprehensiveness and coordination of services delivery; by convincing other agencies to commit local resources—over $440,000,000 in 1977—toward meeting the service needs of the elderly; by the development of community based service centers, over 9,000 nutrition sites, and 1,000 multipurpose senior centers where older citizens can gather for recreation, information and a host of other needed services.

These are only a few of the vital, urgently needed services that older people require and our programs seek to provide. These efforts cannot be seen in isolation. If we are to do an adequate job of providing social services, we must manage our other programs for older people carefully and responsibly.

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[1] See p. 40.

THE ROLE OF FAMILIES

Because of its special importance, I have reserved until last a final question: What role shall families play in caring for their older members?

Many people contend that the American family is disintegrating, or that it no longer cares for its elderly members.

The reality is, I believe, the opposite. Most families go the limit in providing support. Despite the Nation's vast network of services, for example, 70 to 80 percent of home health care for persons 55 and over is still provided by their families.

Families provide a wide range of services, from escorting the elderly on trips and helping with shopping and household chores, to complicated health and rehabilitative care. Yet, it is also true that the extended family living in a single household is no longer so common. Of persons 65 and over with living children, 36 percent lived with their children 20 years ago; by 1975, that percentage had fallen to 18 percent. We must recognize this change—and build upon it.

Yet, too often in the past, we have designed our programs for the elderly with the individual in mind—but not the family unit. We have failed to tap the strength of the family in caring for the elderly. Our programs for financing chronic care, for example, do little to permit and encourage home care administered by family members.

We need to establish programs that help families care for their aged members. We cannot expect doctors, nurses, social workers, or bureaucrats to be as sensitive and effective in meeting the needs of the elderly as a child or grandchild, brother or sister.

Because families themselves are so various, our approaches must also be varied: For those who do live with relatives, for example, day care or respite service might be available, to give the caring relative the freedom to leave home without worrying about the aged person—a service of growing importance as the proportion of women in the work force increases.

For the majority of the elderly who live on their own, either in couples or singly, we need other kinds of services. Supervised residential arrangements will permit them to remain in the community, where the family can more easily support them. And for those who lack families nearby, we must think of developing surrogates—people who volunteer, or are trained, to give the same kind of comfort, and show the same kind of concern, as family members, who can provide the individualized and personal attention for which there is no substitute.

Mr. Chairman, I am aware that I have provided this committee with more questions than answers. I am sorry for that, but it reflects reality. We have, as a society, more problems that solutions, more questions than answers.

That means we cannot be complacent. To accommodate generously the needs of rising numbers of older citizens will require, first and most fundamentally, a healthy and expanding economy.

TAXING IMAGINATIONS AS WELL AS POCKETBOOKS

Beyond generating the economic means to serve our older citizens, we must build new institutions. Doing that will require that we tax not only our pocketbooks, but our imaginations.

Our democracy has proven itself both creative and resilient; capable not only of surviving social change, but of taking up its challenge with vigor and compassion.

I believe we can do so again, Mr. Chairman. How well we do it, in my judgement, will depend upon how well and how soon we answer the questions I have raised.

These hearings are as important as any hearings the committee has ever conducted, and as timely as any hearings it has ever conducted.

Thank you.

Senator CHURCH. Thank you, Mr. Secretary. You have furnished us a great many questions and challenges to consider. The search for answers will certainly affect all of us.

Early in your testimony, you referred to the fact that the retirement income under the social security system, I believe, averaged 47 percent of the working income. How does that compare with the average retirement income in some of the other industrial nations—in Europe, for example?

Secretary CALIFANO. Mr. Chairman, I will have to provide that for the record.

Senator CHURCH. It is our understanding that our average is lower than that of Canada's income, for example.

Secretary CALIFANO. I would not be surprised if that were the case. It would be typical of all services of this kind.

Senator CHURCH. It may well be true of West Germany as well. I don't know about England and France.

I wish you would supply those figures for the record.

[Subsequent to the hearing, Secretary Califano supplied the following information:]

Earnings replacement rates for 1965-75 for selected countries were published in the January 1978 issue of the Social Security Bulletin. There is no overall figure for Europe as a whole, but the following figures are available for 1975 for individual countries:

PENSIONS AS PERCENT OF PRERETIREMENT EARNINGS BASED ON AVERAGE EARNINGS IN MANUFACTURING

	Single worker	Aged couple
Canada	39	57
France	46	65
Federal Republic of Germany	50	50
United Kingdom	26	38

Comparable figures for other countries are given in table 1 below from the January article.

It should be noted that the 47-percent figure mentioned in the testimony refers to the benefit replacement rate for an average earner under social security who retires at age 65 in 1978.

While replacement rates are commonly used to mean the ratio of the benefit to the covered wages earned in the year preceding retirement, it should be noted that: (a) an individual worker's earnings in the year before retirement may not be representative of earnings in the last several years; (b) the earnings covered by the program may be less than the workers total earnings; (c) the social security benefit formula is keyed to replace a portion of the long-term average covered earnings of the worker; i.e., over the period from age 21 to 62, disregarding the 5 years of lowest earning.

TABLE 1.—REPLACEMENT RATE OF SOCIAL SECURITY OLD-AGE PENSIONS FOR MEN WITH AVERAGE EARNINGS IN MANUFACTURING, SELECTED COUNTRIES [1] (RETIREMENT AS OF JAN. 1 OF YEAR INDICATED)

Country	Years worked	Pension as percent of earnings in year before retirement											
		Single worker						Aged couple					
		1965	1969	1972	1973	1974	1975	1965	1969	1972	1973	1974	1975
Austria	40.0	67	65	63	62	61	54	67	65	63	62	61	54
Canada [3]	40.0	21	22	27	30	31	39	42	39	42	46	48	57
Denmark	40.0	35	29	30	30	30	29	51	42	44	44	43	43
France	37.3	49	42	44	47	44	46	65	56	60	62	60	65
Federal Republic of Germany	40.0	48	56	49	49	49	50	48	56	49	49	49	50
Italy	40.0	60	67	65	67	64	67	60	67	65	67	64	67
Netherlands	30.0	35	36	35	38	37	38	50	51	50	53	53	54
Norway	40.0	25	34	37	39	40	41	38	49	51	51	54	55
Sweden	30.0	31	39	45	45	50	59	44	52	58	57	62	76
Switzerland	(2)	28	26	31	39	35	36	45	42	46	58	53	53
United Kingdom [3]	(4)	23	21	22	22	22	26	36	33	34	33	33	39
United States	(5)	29	29	34	38	35	38	44	44	50	57	54	57

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[1] Data are for systems at maturity. For Norway and Sweden, data reflect less-than-mature earnings-related pensions: for Denmark, employment-related pension, which is still not payable in full; and for Canada, pension that reached maturity in 1975.

[2] Since 1948.

[3] Based on April rather than January flat-rate benefits in 1973, 1974, and 1975 for Canada and in 1975 for the United Kingdom.

[4] Since 1961.

[5] Since 1951.

Senator Church. Is that average simply based upon the social security formula? In other words, there are a great many people in this country who get social security benefits, but they may also have the benefit of an additional retirement program. I take it they would receive a much higher percentage from the combined income of the two retirement programs.

Secretary Califano. Mr. Chairman, let me clarify, if I may, the 47 percent figure represents the sum of everything.

Senator Church. The sum of everything.

Secretary Califano. The social security numbers follow that portion of the testimony, and it may not have been clearly stated in the testimony, but for new retirees age 65 that ratio today is 47 percent of their income, but that represents all sources of retiring income.

Senator Church. All sources. What would you regard, Mr. Secretary, as adequate for retirement purposes for the country at large?

Secretary Califano. Mr. Chairman, it is very hard to answer that because so much of this is a function of over what years you are going to measure, what the preretirement income was. There will inevitably be an element of need in there. I think, that at the absolute rock bottom, we are wealthy enough and affluent enough in this country to make certain, as you suggested earlier this morning, that no citizen who is older has income below the poverty line, that every older American should have the income that takes them above the poverty line. That is one piece of the poverty puzzle that we could very easily solve, simply with income and health services. I agree with you on that.

EARLY RETIREMENT ISSUES

Senator Church. I have just a question or two about early retirement and then I will ask Senator Domenici and Senator Percy to take over. Early in your testimony, you said that there is a clear trend toward early retirement in this country, which places a very large additional burden on the retirement systems. As you know, the Congress increased the legal mandatory retirement limit from 65 years of age to 70 and eliminated the mandatory limit entirely in Federal employment

Do you think that this will have any impact at all upon this trend toward earlier retirement in the United States? You said, at one point in your testimony, that there were an estimated 4 million older Americans who would prefer to work but who are retired presumably because of the mandatory retirement age.

Secretary Califano. Mr. Chairman, I hope it will, and I think it should have some impact, but that alone, which is the move that I applaud, will not deal with the problem. Part of the problem relates to the fact that when we have people in this country retire at age 40, age 38, and when we talk about people being retired like the military—someone in the military went in at age 17, served their 20 years and then retired at age 37——

Senator Church. Nearly all of them that I know then go on to a second job and earn a full income plus their military retirement.

Secretary Califano. Exactly, and they are counted as having retired. As long as there are systems which permit that kind of early retirement, and then moving on to get another job, people will retire early even though the mandatory retirement age is lifted to age 70; and indeed, that will give some individuals an additional 5 years to gain a second pension or a third pension. So that to predict what will happen is difficult, but I would certainly hope so, because as you know so well, there are also larger benefits to our society from those people working, they are producing and they are increasing purchasing power.

Senator **Church**. Is there any trend at all in industry or in government toward changing the pattern of employment, to furnish part-time jobs for older people who would like to work part time but who no longer feel able or no longer desire to work full time?

Secretary **Califano**. I would have to say not of any great significance, although I would also have to note that in my work in preparing for these hearings, upon coming to that issue, I have touched off a study in HEW and asked that we develop a program for flexitime work for older citizens. We have a few in our flexitime program, but I have asked that we now develop a plan and mount an effort to do that, because we are going to begin to urge other people to do that. I think you can prove very, very helpful. In government, particularly, there are so many problems which you need to get studied, or thought through, and which people can work a few hours a day or week.

Senator **Church**. You have your social security system with the retirement test that may work directly against part-time work. I don't know whether private retirement programs also have similar tests which have the same effect.

Secretary **Califano**. Mr. Chairman, when we look at this whole pension system, at early retirement, you have to look at that issue. That is another very important part of this problem. I think it is less of a phenomenon in the private sector than it is in the social security sector, and it is not a problem at all in the military sector or civilian life.

Senator **Church**. Thank you.

Senator **Domenici**. Thank you, Mr. Chairman. Mr. Secretary, may I first congratulate you on your testimony. I think you are talking about one of the most complicated social subjects confronting America, and I personally take no affront at the fact that you asked as many questions as you answered. Because I don't see how anyone can know the answer to very many of them today, when we are talking about such drastic changes and such a long period of time.

Let me say this: I assume, based on some of your answers, that you really do get a lot of communication from the public about the issues at hand, and that you personally read some and talk to the American people about these problems. Now, let me just tell you the kind of example that concerns me most about income maintenance for the elderly.

QUESTIONS FROM YOUTH

I am beginning to feel, in my own State, this kind of question, and it comes up more and more often—a working man or woman between the ages of 25 and 30 will come to a meeting and they will already have in their hands a schedule of what they could buy for themselves with the money they are putting in social security. And they will say, "Now, why do we have to do this when we are going to get *x* dollars if that fund is solvent, but if I go buy this other plan for $40 a month, I will get more myself than you are going to assure me through the Federal Government?"

I generally can answer that. The fact is that social security is not an insurance policy, it is a social insurance policy, and we have a kind of risk we are spreading around. But that is becoming a very serious problem with the young workers, men and women, in America, who are tremendously concerned. They want to take care of their elders, but they are suggesting that there is not going to be anything there for them, and that to them it is a very poor investment. I am not suggesting that I agree with that, but do you not see that as a growing concern that we ought to be addressing and concerning ourselves with in society?

Secretary **Califano**. Yes, I do, Senator. I would note that I think wherever this country goes in the future, in terms of solving the retirement income and maintenance problems, that the social security is clearly the dominant piece of the picture, and that one of the imperatives is that we maintain the viability of that system and the financial integrity of that system. As I indicated here, it may be the grandest program that the National Government has ever put into place; it works, it has a very, very low error rate—1 percent perhaps. It is ingenious in its conception. It is almost self-enforcing, because you want to make sure you get the benefits credited to your number so you make sure you report your wages to that number.

How you go about financing it is the problem that you raise, of the extent to which we are now financing it out of the payroll tax. We made some other suggestions, which we thought made more sense than doing that, and we suggested that there be some kind of a countercyclical dip in the general revenues which would have significantly reduced the need for the extent of the payroll tax if unemployment exceeded 6 percent, funds that would have been gained had unemployment been at 6 percent, would have put into the general revenues. There are other ways to do that, but I think this system makes sense for young workers, and I am prepared to try to carry that brief.

Senator **Domenici**. Mr. Secretary, looking down the line to the statistics that you have given us, it appears to me that an income-maintenance program of this magnitude, whether it might be one retiree for three workers compared to 9 to 1, we have got to be talking about what percentage of our productivity can be going to that kind of system at any given point in time. We have to address the issue of the economic growth and inflation, because they are all related, it appears to me. At some point in time we may wish that we could do what you have described here, abolish all poverty at some level for older Americans.

On the other hand, do we have any model of how much of America's productivity can be going to that, as contrasted with other needs to be taken out of productivity? Do you have some economic feeling for that, or anyone looking at that?

INFLATION'S DRASTIC IMPACT

Secretary **Califano**. No; we have no model for it. We are looking at it. With all the demographic numbers that I provided for the committee which raises those questions, I think that the most serious threat to the achievement of what I mentioned here, and what the chairman suggested, is inflation. That is what makes it so incredibly expensive, and that is what has changed the pension landscape by taking a big brush or big wide brush of paint and putting it across the paint. That is, inflation is having a dramatic impact on this whole landscape.

Senator DOMENICI. Especially when the growth is so much smaller than inflation, growth in the overall GNP. When you relate the two, the disparity is getting very big. That is what you are referring to.

Secretary CALIFANO. Yes; that is correct. You can just take the health care part of the problem and we have the problem of productivity in our economy. Productivity is rising at an annual rate of about 1 percent, which is much lower than it has been in the past, so even though 6½ million more people are at work, we are not getting that much more productivity out of them.

In the health care area, it is just phenomenal how inept we are at increasing productivity, for example, the American hospital has 3.6, 3.7 people per patient and rising. In Germany, it is one per patient and rising. We have a fine health care system, but those German hospitals are every bit as good as our hospitals are. We have got to deal with that problem in that sector of our economy that is there, and if we can find a way to deal with it effectively, we can take care of a substantial part of the needs of our older citizens who need those acute expensive care facilities more frequently than other citizens.

Senator DOMENICI. I have just three more questions.

On page 8, at the bottom of the page, you cite a list of conditions, including $350 billion by the end of the year 2010, et cetera.

Secretary CALIFANO. Yes.

Senator DOMENICI. Could you supply us for the record with what assumptions were used to arrive at those conditions?

Secretary CALIFANO. Yes; I will.[1]

Senator DOMENICI. I think they would be very relevant to our thinking in terms of cost.

Secretary CALIFANO. I will. You will note, as you go over them, that there is no cost containment built into those numbers. That assumes the current system discontinues to flow.

Senator DOMENICI. One other question. It strikes me that this country's baby boom, which contributed so much to the growth of our educational facilities, is now on the wane, and we are closing schools in many areas. I wonder if you are doing any studies on the additional needs—for those that are long out of the typical grades 1 through 12—in terms of facilities that might be utilized, and what our educational system ought to be doing in regard to retraining and lifelong education?

Secretary CALIFANO. All through the lifelong learning education I think we asked for $5 million this year and before that to do more studies. There is no question that there will be plenty of excess educational plant, particularly at the higher educational level, which we could inure to the benefit of older Americans. We have to recognize in this country as the higher education population declines, as education becomes more expensive to the higher education level, that there are going to be some very serious questions raised about plant.

We have already seen some colleges close in New England, the small colleges. We at HEW are increasing the number of colleges all the time coming in and are concerned about the viability because there are increased costs. The older Americans may provide an opportunity for some of those institutions that are stronger to enrich and use their plant productively. Now part of that, of course, for many of our older citizens, is going to be a function of who can pay for it, and that is something to which we and the Congress and many States will have to address themselves.

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[1] See "Assumptions Underlying Social Security Long-Range Cost Projections," p. 47.

PRIVATE EFFORTS

Senator **DOMENICI.** One last question. I personally believe that while we want to pursue the social security system to the utmost in terms of its utilization, I don't see how this society of ours can get by without significant private effort, whether it be individual plans or company plans, or whatever they are. Could you supply us, for the record, with your analysis of what we have done in the last 6 years that has most contributed to alternate systems, the tax incentive programs that we have enacted, such as IRA's and what they are accomplishing? Just what incentives have we built into the system, in terms of preparing for one's retirement? I'd like an analysis of which would work best in moving us in the direction of greater private effort in this area.

Secretary **CALIFANO.** Senator, I will do that to the extent that we have the capability of doing that. I would suggest that you might also want the staff to get in touch with the Internal Revenue Service to get numbers from them as to the extent to which some of these mechanisms are being used and the cost of them. That is where the numbers that I use in this area came from.

I would like to underline the fact that I agree with you wholeheartedly, we must have private pension plans. We will always have a variety of pension plans in this country. My point is that, I think, we have to look better at the question of integrating these plans, both in raising the issue of what is retirement income and also in terms of the relationship between social security. I see nothing replacing that as the cornerstone of retirement for American citizens in all these other plans.

I see 45 percent of the work force has access to private plans, and I think that is important, and I think it is those plans being funded in an appropriate way, and it is important that they survive. I do believe that we have to relate them to what we are doing with social security and everything else, and that when we look at the size of the population, that we have an obligation to take care of it.

Senator **DOMENICI.** Thank you, Mr. Chairman.

Senator **CHURCH.** Senator Percy.

Senator **PERCY.** Mr. Secretary, first, I would like to join Senator Domenici in his praise of this testimony—it is lengthy, and you raise a lot of questions, but in my many years on this committee, it must be cited as one of the most valuable pieces of testimony we have ever had. I appreciate the attention you have paid to the facts and figures involved. It is a herculean task, and I compliment the staff in preparing this very helpful guide for us.

Second, I would like to say that today we will be marking up and reporting out the education bill. With all the abuse HEW takes, and with all the mismanageable bureaucracy, still the testimony about Head Start makes me glad that it is in HEW and not going into a new Department of Education. I have never heard such glowing testimony about the administration of a program as I have about that one and we voted unanimously, I believe, to keep the Head Start program in HEW.

Secretary CALIFANO. Every time Mary Helen calls me, I cite that testimony.

VALUE OF SENIOR CENTERS

Senator PERCY. I find it very interesting that on page 35 of your statement you point out the fact that 18 to 36 percent of the elderly population live with relatives, and that this puts a substantial amount of pressure on the public sector. You then comment that "day care or respite service might be available." I have recently visited more senior citizen centers, and I am very impressed with what is being done, much of it with Federal money.

Many communities have obtained revenue to build senior citizen centers and now offer programs from 9 in the morning until 5 or 6 in the evening, sometimes 10 o'clock at night. I have visited two outstanding centers in the city of Chicago. Do you feel that senior citizen centers are a possible aid to the increasing number of working mothers or working women, who simply are unable to take care of the father, mother, grandmother, grandfather at home during the day? Do you think this would encourage relatives to keep our senior citizens in the family home rather than sending them away to one of these institutions?

Secretary CALIFANO. Yes; I think there is' I have seen that wonderful place in San Francisco that does that. I think it is very helpful. I think we also have to find a way to provide some situations in which an individual will have to stay at home, in which there are two couples still together, or what have you, and in which one member of the couple should be able to get out once in a while, and the way we have our laws and our tax laws skewed, to have the relative do that, it becomes very difficult. I note that what you have seen is rare. Not many senior citizen centers provide that kind of a day care service, so the more of it that we can get, the better off we will be.

Senator PERCY. But you do feel that the senior citizen day care center idea is well worth exploring?

Secretary CALIFANO. Yes; I do, Senator.

Senator PERCY. Hopefully, it can prove itself a cost effective way to assist in health.

I would like to turn to the nursing home situation again, because it has preoccupied our committee for so many years. We had hoped that we were making progress in making these places fit to live in. I think there have been changes made, but I think it is primarily in the physical appearances. We have removed the urine-stenched hallways; they are now painted, they are now more attractive looking. At least there have been cosmetic changes.

I would like to point out that lead stories on the Better Government Association, under the presidency of Marjorie Benton and Terry Brunner as executive director, appear today, in both the Chicago Tribune and the Chicago Sun Times. They sent their investigators into eight homes where they worked in a variety of positions, for anywhere from a week up to as long as a month, and they also studied carefully 75 State construction reports. I am quoting the Sun Times article:

> The civic watchdog group concluded that despite numerous reform attempts, Chicago area nursing homes are still characterized by neglect, patient abuse, and financial mismanagement.

NURSING HOME ABUSE

Among the recommendations that they have made is the idea that nursing home abuse could be cured many times if the homes themselves were eliminated or the need for them. They say, "There's obviously no substitute for loving family care at home, and we should be making that easier to do."

They recommend that the statement, analysis, and study of other tax incentives cannot be offered or anything done to reverse this trend of more and more people being farmed out to what are called warehouses for the dying, as they have been characterized in Chicago, rather than the better than one-third 30 years ago that were cared for in the home.

We not only have a big job ahead of us in improving conditions in nursing homes, but also finding alternate methods of care for the aging. Is this the conclusion of HEW at this stage?

Secretary CALIFANO. Yes; I think I agree on both scores. We still have a long way to go to improve conditions in nursing homes, although we are making progress there, and we do have to find ways to provide the resources for more home care for the aging, and more day care of the kinds you are talking about in the senior centers, there is no question about that.

Senator PERCY. I ask unanimous consent that the article in the Chicago Sun Times be inserted in the record, and also the front page article in the Washington Post this morning, labeled "Dementia Label Mistakenly Applied, Thousands Doomed by False Senility."

[The newspaper articles referred to follow:]

[From the Chicago, Ill., Sun Times, July 17, 1978]

NEED NEW TACK IN NURSING HOME "HORRORS": BGA

(By Brian J. Kelly)

The horrors of nursing homes are sad stories that have been told many times, but Sunday the Better Government Association, after a 4-month investigation, offered some new solutions.

The civic watchdog group concluded that despite numerous reform attempts, Chicago area nursing homes are still characterized by "neglect, patient abuse, and financial mismanagement."

But J. Terrence Brunner, executive director of the BGA, said he was not interested so much in rehashing the stories of abuses as he was in suggesting more substantial reforms.

"What we began to think when we saw the results of this investigation is that maybe more laws, more inspectors and more money isn't the answer. Maybe there's something basically wrong with the system and we've got to start looking for different kinds of solutions," he said at a press conference at the BGA's office, 230 N. Michigan.

Brunner said he came to this conclusion because he saw so little improvement in the homes despite several earlier investigations—including one in 1971 by the BGA—and a raft of new laws. The BGA's latest investigation was conducted with WLS-TV and will feature film of what Brunner called "horror stories" that will be shown on Channel 7 this week.

Among the BGA's recommendations is the idea that nursing home abuses could be cured if the homes themselves weren't necessary. "There's obviously no substitute for loving family care at home," Brunner said, "and we should be making that easier to do."

The BGA suggested that the State experiment with programs to enable the elderly to receive care in their homes with their own families. Specifically, it recommended tax incentives as a means of accomplishing this.

The BGA also recommended:

That nursing home advisory boards composed of the residents' relatives, neighborhood leaders and nursing home personnel—as well as residents of the home—be established. The boards would have complete access to the home, its books and records, and would advise the operators on all matters of policy.

That the State assist senior citizens groups in providing voluntary care for the elderly.

That the Illinois Department of Public Health evaluate all nursing homes and that its reports be made public.

That existing rules and regulations pertaining to nursing homes be more stringently enforced.

David L. Protess, the BGA's research coordinator, said many of the previous reform efforts have proved to be merely cosmetic, dealing primarily with the physical conditions of the homes. "We found that the new laws have forced the homes to be cleaner and a lot of the gross violations are gone."

But in many cases, he said, this has deceived people wishing to place relatives in homes. "It just makes it harder to tell if the home is any good or not. We found that for the most part, patient care is still marked by an attitude of cruelty and indifference on the part of the staff."

Protess also said that many State inspection reports were found by BGA investigators to be inadequate, often failing to cite numerous violations—particularly as they pertained to patient care.

"I think it's significant to note that not one home has had its license revoked in the last year and our investigators found numerous violations that could have resulted in revocation," Protess said.

Brunner said the BGA expected to reveal evidence of financial irregularities in the near future. "We've concluded that the nursing home business, which gets $225 million a year in medicaid money, is an extraordinarily profitable business."

The BGA and WLS-TV sent investigators into eight homes where they worked in a variety of positions for from 2 weeks to a month. Brunner said his investigators also reviewed 75 State inspection reports.

[From the Washington Post, July 17, 1978]

DEMENTIA LABEL MISTAKENLY APPLIED; THOUSANDS DOOMED BY FALSE SENILITY

(By Victor Cohn, Washington Post Staff Writer)

Ten to 20 percent of the elderly senile do not really suffer from dementia—progressive loss of memory and brain function—but from other conditions and diseases that could be treated if doctors only recognized them, a group of experts on aging agreed last week.

This means, it was agreed, that 300,000 to 600,000 of the estimated 3 million Americans who show symptoms of brain failure are mistakenly labeled as "senile," and, as a result, often go untreated in nursing homes and mental hospitals.

"The prospect of 300,000 doomed people in the United States today who could have been restored to useful life by appropriate evaluation and treatment is staggering and demands action," said Dr. Richard Besdine of Harvard Medical School and the Hebrew Rehabilitation Center for the Aged in Roslindale, Mass.

Besdine was author of a draft report made by a six-member task force for discussion by the 30 specialists who attended a 2-day Conference on Treatable Diseases in the Elderly at the National Institutes of Health in Bethesda.

One of the largest single causes of false senility, it was agreed, is drug intoxication: that is, reactions to medications. The most commonly guilty medications are tranquilizers, and among these the most common is Valium, the Nation's most often used prescription drug.

Among treatable and often unspotted physical diseases that can cause brain dysfunction and mimic truly irreversible senility are heart disease, strokes, infections (including pneumonia), anemia, nerve diseases, brain tumors and blood clots, kidney or liver failure, metabolic diseases such as diabetes or thyroid problems, nutritional deficiencies (sometimes caused by faulty diet), reactions to chemicals and alcoholism.

The experts' consensus on all these points was reached at the conference, which ended last Wednesday.

The gathering was one of a new series of NIH "consensus meetings" that assemble specialists to make recommendations to the medical world in newly emerging, often puzzling areas.

The idea for the meetings—the creation of Dr. Donald Fredrickson, NIH director—came from a 1977 conference on mammography, or breast X-raying. Because such X-rays may sometimes trigger as well as find cancers, the experts recommended limiting mammography to women with a far greater chance of benefiting than suffering any harm, meaning women over 50, women 35 to 49 who have had one breast cancer already and women 40 to 49 who have had mothers or sisters with breast cancer.

The breast conference was one NIH was virtually forced to hold to reassess the controversial X-ray method that NIH itself was widely funding.

But NIH has also been under the fire of critics, including members of Congress, for not doing enough to translate research findings into everyday care. The consensus conferences are one reply.

The specialists on aging and related fields gathered by NIH's National Institute on Aging included Dr. Ernest Gruenberg, chairman of mental hygiene in the Johns Hopkins School of Hygiene and Public Health; Dr. Robert Katzman, neurology head at Albert Einstein Medical College, New York; and Dr. James Baker, the Veterans Administration's associate chief for mental health treatment.

The discussions will be translated into recommendations in coming months. But there was general agreement to tell practicing doctors that:

> There are indeed irreversible causes of "chronic brain syndrome," or dementia, such as repeated blood vessel blockages and various brain and nerve diseases.
>
> They would be well advised, however, to spend more time thoroughly and aggressively examining and testing their confused or disoriented patients to exclude reversible causes.
>
> Deep psychological depression, too, can be classed as a common and often treatable, reversible cause of apparent senility.

It is "amazing," said one doctor attending the conference, how often even a heart attack can occur in silence with no outward physical sign other than mental confusion.

"We're talking about a large group of underlying, unrecognized diseases that are usually improvable, often reversible and sometimes completely cureable," said Besdine.

To say that 10 to 20 percent of the supposed senility cases have potentially reversible causes does not mean other forms of senility shouldn't be treated too, said Dr. Robert Butler, director of the National Institute on Aging.

"In all cases," he said, "the earlier the treatment, the better. The brain doesn't do very well when it is ignored over a long period of time."

Dementia is not a reason "for locking up the patient and throwing away the key," said Dr. Carl Eisdorfer, University of Washington psychiatry head.

The treatment may sometimes be as simple as withdrawing a drug or giving a drug. But often, said conferees, it must mean finding family or other "societal support" for the patient. Doctors and other health workers must themselves get out of their offices into patients' homes before they can understand their problems, the conferees agreed.

"People fear few things more than losing their minds and being 'put away' in a nursing home," said another National Institution on Aging report. Yet too many conditions are "mislabeled as 'senility' " simply because the patient is old, it said.

Senator PERCY. Did you happen to see that article in the Washington Post this morning?

Secretary CALIFANO. Yes, I did, Senator, and I think it kind of capsulizes and dramatizes the need for further research in this area and further investigation in this area and may also indicate the need for better training of the primary care physicians, particularly in terms of the handling of the older population. It may be that we escalate the care of the older population into more expensive levels just the way we are escalating the psychiatrist all the time because he is not adequately trained to recognize and treat some of these things.

Senator **Percy**. This staff, under the direction of members of the committee, went to Chicago, New York, and other cities on the nursing home problem. We subpenaed records and found a tremendous percentage of total cost going into medication and one-third of that was spent on tranquilizers. In Illinois, we have a system which I had long trusted, a point system where the nursing home gets paid by points—points accrued if a person is bedridden and has bedsores, on the assumption that this person requires more care, but the incentive these investigators found was to give tranquilizers and sleeping bills to keep them bedridden and help them develop bedsores. Then the patients don't have to go down to dinner, and can be fed just enough food to keep them going.

This article pointed out something I had not taken into account, which is that many of the people I had seen in these nursing homes, just sitting around looking as though they are in a state of stupor or senility, are in fact overmedicated. This article in the Washington Post says that 300,000 to 600,000 of the estimated 3 million Americans who show symptoms of brain failure are mistakenly labeled as senile. One of the largest single causes of false senility is drug intoxication, and they claim the most commonly used medications are tranquilizers. This is the estimate of Dr. Richard Besdine of Harvard Medical School and the Hebrew Rehabilitation Center for the Aged in Roslindale, Mass.

They conclude by saying, "People fear few things more than losing their minds and being 'put away' in a nursing home." This idea was also stated in a National Institute on Aging report.

I would think that this committee, working in cooperation with you, Mr. Secretary, ought to give top priority to the study of this area. We were suspicious years ago about nursing homes and possible abuses occurring there. Again, I say there are some absolutely outstanding nursing homes that I have been in which give fine care, wonderful people running them. I have also seen some unscrupulous operators in this business. They are out solely to make money on the poor, particularly if they are aged poor.

Job Not Finished

Our job is not finished, according to these reports. We have gone back to one of the cities where we had the greatest difficulty, and cosmetically the problem has been solved, but I think we ought to restudy this business, particularly when we consider 300,000 to 600,000 lost Americans who have useful lives ahead of them if they can only receive some of our attention. It is evident that dreadful things are happening to them. I think we have got to get to the bottom of this.

I want to express appreciation to the Washington Post for reporting so thoroughly on this, and to the medical people who have been conducting these studies.

I commented earlier that I doubt we have ever passed legislation where we knew less about the end result than the bill raising to age 70 the mandatory retirement age. What impact, if any, so far has raising the mandatory age limit to 70 for many workers in the private sector had on the social security system?

Secretary **Califano**. It is hard to tell. To the extent that it encourages people to continue to work and not draw social security until they are 70, it will undoubtedly be in that plus for the social security system, although the extent to which it will be a plus is a function of what wage they are working for and how long they have been under the system.

I think much more likely to encourage people to work beyond age 65 and not feel the social security benefits is an incentive the Congress passed last year, which would increase the amount of social security payment to which an individual is entitled by 3 percent for each year that individual continues to work and not draw social security beyond 65 to age 70. It is just very hard to assess what that change in the law will mean, Senator, and I don't think anyone really knows. If you look upon it as something that will stem the trend toward earlier retirement, that is not the only factor in the order of retirement. There are systems in which one can retire after 20 years of work or 30 years of work, and those people retire and draw retirement pay. In fact, they cannot be mandatorily retired at age 65. If you raise the age to 70, it is not going to have much impact.

Senator PERCY. I agree the social security system has been a tremendous help, and I don't know what we would have done without it. On the other hand, in the 3 years that I spent researching the book I put together on aging, I found that many people look upon social security as a program adequate to cover all their retired needs. They assumed the Government was going to take care of them somehow, so they didn't put away enough, and consequently three out of four widows today are living below the poverty line.

How can we spread the word that social security is an assist, a help, a supplement—that it does not remove the responsibility for an individual to somehow provide for their own retirement? Is there any rule of thumb that we can use to delineate for the average person what proportion social security should be able to supply for their financial needs after retirement and what proportion they should be providing on their own through a company, through savings, through whatever other means they possess. Not enough people today are cognizant of the fact that they must provide part of their retirement income. The pressure to continually increase social security benefits comes from people who discover these benefits are simply inadequate for them to maintain themselves after retirement. It is going to pose a terrible load on young working people if we continue this trend.

NEEDED: FACTS ON SOCIAL SECURITY

Secretary CALIFANO. Well, in terms of as variation of mistakes and that is what creates a significant amount of problem to which you allude but there are over 2 million people on social security who are also getting supplemental security income to bring them up to the poverty line. The extent to which we provide adequate information between the social security system is something I will take a look at when I go back, and I will be happy to provide what we do and don't do in response to your question.

Senator PERCY. I appreciate that very much. Part of our job is supplying public information. This mistaken impression about social security is similar to the one about medicare and medicaid; as Senator Church has aptly pointed out, the dollars put out for health care are much as they were before medicare and medicaid, with about 43 percent of costs being covered. Most people assume that medicare is going to cover everything, and they are shocked when they discover there is a huge gap in coverage which they must pay.

I think we have got to find a way to inform the public on which benefits they are going to receive and which they are not. Some rule of thumb needs to be designed for social security so that it is not looked upon as adequate retirement income; otherwise, the unfortunate disillusionment will continue.

[Subsequent to the hearing, Secretary Califano supplied the following information:]

Informational materials produced over 10 years stress that social security benefits are meant to be only a partial replacement of preretirement income. For example, the attached leaflet "Social Security in Your Financial Planning" was first published in the late 1960's. Its primary message is the need to supplement social security benefits.

One of the primary means we have of informing the public is through a monthly package of materials for all media. Included with the materials distributed for use in August 1978 was a draft by-line column (copy attached) on the subject of planning retirement income. The need for supplementing social security benefits is emphasized.

Currently in the early stages of production is a leaflet on the general subject of the value of social security to today's worker. One of the leaflet's primary messages will be the need to provide additional retirement income to maintain one's standard of living.

[Attachment]

[From "Your Social Security" column, August 1978, No. 1]

PLANNING RETIREMENT INCOME

(By Social Security District Manager)

People concerned about having sufficient income to maintain their lifestyles through their retirement years should remember that only earnings after retirement, but not other forms of income, may affect receipt of their social security checks.

This means that the wise planner looking ahead should be considering whatever available resources he or she has that can be used to generate nonwork income in the future. Such sources depend on one's current financial situation, but may include savings, investments, insurance, or rental income. Income from renting rooms to college students, for example, would usually not affect a retirement check, while the same amount of money earned by working at a part time job could.

The fact that there is a limit on the amount of earnings a person may have and still draw social security benefits is confusing to many people. And when they discover that the limitation does not include nonearned income, it becomes even less understandable. There are several reasons for the earnings limitation and the manner in which it is applied.

First of all, social security benefits are designed to partially replace earnings lost through retirement, death, or disability. If there has been no such reduction in earnings, then the individual is not considered retired, disabled, or dependent on the earnings of a retired, disabled, or deceased person.

Second, social security was never designed to replace all of a person's earnings, only part of them. The benefits are supposed to provide a base upon which people can build their own level of financial security through their own initiative and enterprise. There would be less incentive to save and invest for the future if by doing so an individual risks losing the floor of protection provided by social security contributions.

If you do plan to work after retirement, you'll find that you can increase your income without losing all of your social security benefits. In 1978 the annual exempt amonut of earnings is $4,000 for individuals 65 and over, and $3,240 for those under 65.

After reaching the earnings limit, social security benefits are reduced $1 for every $2 in excess earnings. At age 72 the earnings limit does not apply.

The annual exempt amount is scheduled to continue to rise in future years. For a 65-year-old it will be $4,500 in 1979, and for those under 65, the rise will parallel increases in average wage levels.

One thing to remember is that the monthly earnings test no longer applies except during the year in which a person starts receiving social security benefits. Before the 1977 Social Security Amendments, a person could receive a full social security check for any month in which he or she did not earn one-twelfth of the annual exempt amount ($334 for a 65-year-old in 1978) no matter how much he or she earned for the year.

Most of the 10 percent of those current beneficiaries whose benefits are reduced because of the retirement test have substantial earnings. They include people who for one reason or another continue to work—the self-employed, professionals, and others whose work is not too physically taxing. The added income provides for the lifestyle they wish to maintain.

But if the prospect of working after retirement does not appeal to you, consider the ways in which you may build nonwork income. Talk to your banker, accountant, or some other person whose financial advice you can trust. It could pay off for you in your retirement years.

Question. I married late and have two children both under 18. I understand that they'll be entitled to benefits, too, when I retire at age 65. Will their earnings affect my social security check?

Answer. No. Their earnings will only affect their social security benefits.

Question. Why doesn't the retirement test apply to people who are 72 and over?

Answer. If there were no age limit, people who work to a very advanced age would not receive any social security benefits even though they had paid into the system all their working years. For that reason the upper age limit is set to provide equity to such workers. In 1982 the age limit is scheduled to drop to age 70 under present law.

Question. How does social security keep track of a beneficiary's earnings?

Answer. A beneficiary who expects to earn more than the annual exempt amount in a year should notify social security in advance so benefit payments may be adjusted. A report of earnings must then be filed by April 15 of the following year. In addition, employer reports of wages are automatically screened against beneficiary records at Social Security headquarters.

Senator PERCY. One final question, Secretary Califano. You did make a comment on page 16 that I would appreciate some expansion on, either now or for the record. You said:

> We must remember that when older citizens work they create new jobs and that the job market is not a confined space with a precisely limited number of jobs.

This is a very important concept, worthy of expansion, if you would care to do so.

Secretary CALIFANO. I will expand in some form and provide details for the record, the point simply being, as they work they earn money which, in turn, gives them purchasing power which creates jobs for other people. I think they would like to give you a more elaborate explanation of that point, but I think it is an important point because of this great tendency to grossly oversimplify the issue. There are *x* number of jobs in the country and if the older Americans take some proportion of them, the younger Americans will not get them. That is just not the case.

Senator PERCY. I think it will help us remove some of the resentment held by those entering the job market, for people who decide to stay on to 70 and be on. They need to know that older workers' purchasing power creates jobs and contributes to a higher standard of living for all Americans. It is a way of stimulating the economy, not depressing it.

[Subsequent to the hearing, Secretary Califano submitted the following information:]

> The notion that more jobs for older workers will mean fewer jobs for younger workers is a fallacy. The fallacy is in thinking that the number of jobs in the Nation is fixed in size. In fact, the size of the national output depends upon the input of factories of production: labor, natural resources, and produced capital goods. The larger the input of each of these factors of production, the larger will be the national output.

Whenever there are new entrants into the employed labor force—whether from population growth or increased participation by minorities or women or older workers—the same natural resources and capital stock can produce a larger national output. The increment of output produced by these additional workers provides the source of payment to these workers: each worker earns his keep.

To elaborate, firms hire additional workers as long as the value of output added by these workers covers their wages. The wages of the workers in turn provide income which is spent for goods and services. Thus in the circular flow of goods and income, hiring new workers simultaneously creates more goods and the income to buy the additonal output of the economy.

There are several qualifications which should be noted. First, aggressive monetary and fiscal policies must be pursued to maintain aggregate demand. Second, for any given level of capital (factories, machines, inventory etc.) the absorption of additional workers would tend to lower the real wage. It is therefore essential to vigorously pursue policies to expand capital formation and stimulate technological progress. Finally, there may be problems for particular groups of workers due to specialized skills (or lack thereof), location, industry, etc. These structural problems must be dealt with.

Senator PERCY. Thank you very much indeed, Mr. Secretary.

Thank you, Mr. Chairman.

Senator CHURCH. Senator Percy, I agree with you. We must develop a clearer conception of just what social security is meant to be in our society. I think that there is a continuing argument among us concerning what the role of the social security system should be. Originally, it was intended to cover bare necessities that would enable people to live decently in retirement, but to do more. It was also originally intended to be a retirement program, thus the retirement test. We have seen that change a good deal through the years. At age 70, social security becomes an annuity program, beginning in 1982. And the benefit is available whether or not the person continues to work.

THE RETIREMENT TEST

We have seen the retirement test increased. I myself have favored that. Nevertheless, as it continues to increase, less and less retirement is required in order to qualify for the benefits. So I think we need to define for ourselves what the role of social security should be. If we can come to an agreement among ourselves, perhaps the public conception can be clarified. The confusion stems at least in part from an inability to decide among ourselves just what the role of social security should be in our society.

Mr. Secretary, I want to join, with both, the Republican members of the committee in expressing my appreciation for the testimony you have given us. It seems to me that the testimony will be a rich source book for us. It contains some very important information that I hope will give us guidelines for the balance of our hearings. I am grateful to you for coming here and spending the morning with us. We wish to express appreciation for the entire committee.

Secretary CALIFANO. Mr. Chairman, thank you very much. It has been one of the most thoughtful hearings and questions that I have encountered since I have been the Secretary, and I appreciate the opportunity to come here.

Senator CHURCH. Thank you. You have the least enviable post in the Cabinet, but probably the most important in terms of its impact upon our own people.

Senator DOMENICI. Mr. Chairman, might I ask the Secretary a question? I don't want you to answer this, but I wonder if you might present the committee with some kind of chart on the issue of inflation as it impacts upon these kinds of income maintenance programs that we are discussing.

I think what I have gathered from this testimony today, is that the best thing that could happen to these programs is for inflation to significantly diminish and be somewhat more controlled. I am not asking that you suggest how we do that, but I think it would be interesting to have some kind of chart showing the impact of various inflationary levels with assumed GNP growth levels on the programs that now exist and the dollar impact in terms of our budget. Do you think you could put that together in some manner for us to see?

Secretary CALIFANO. Yes, I think we can, Senator Domenici. I cannot resist the opportunity to just take hospitals alone and point out that in their costs, if their charges grow by only one and a half times as much as the rest of general inflation in the economy over the next 5 years, we would save $57 billion as a country and $20 billion in Federal expenditures just on that piece of the problem.

Senator DOMENICI. I would very much appreciate such an analysis in an objective chart.

Secretary CALIFANO. We will do that.

Senator DOMENICI. Thank you.

[Subsequent to the hearing, Secretary Califano submitted the following information:]

ASSUMPTIONS UNDERLYING SOCIAL SECURITY LONG-RANGE COST PROJECTIONS

The official cost projections for the social security program (OASDI and Medicare) are based upon assumptions and methodology explained in detail in the 1978 Annual Reports of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund, Disability Insurance Trust Fund, Hospital Insurance Trust Fund, and Supplementary Medical Insurance Trust Fund.

Because the future cannot be predicted with certainty, long-range projections are made on the basis of alternative assumptions in order to determine how the social security programs would operate under future conditions that might reasonably be expected to develop. The alternative II, or "intermediate," set of assumptions from the 1978 Trustees Reports include assumptions that:

Mortality rates will decline overall by about 19 percent from 1977 to 2050;

The fertility rate will increase from its estimated level in 1977 of 1.79 children per woman, gradually reaching 2.1 children per woman by 2005 and remaining level thereafter;

Disability incidence rates will continue increasing, reaching an ultimate level in 1997 that is 25 percent greater than the estimated 1977 level;

Female labor force participation rates will increase to an ultimate level 19 percent greater than the 1977 level;

After 1984, the Consumer Price Index will increase by 4 percent annually (greater increases are assumed between 1978 and 1984);

After 1999, average wages in covered employment will increase by 5¾ percent annually (greater increases are assumed between 1978 and 1999);

The unemployment rate for the total labor force will be 5 percent after 1984;

Hospital costs will increase by 15–17 percent annually for the next 5 years; after 10 years, the annual increase is assumed to be about 10–12 percent.

Assumptions were also made concerning other variables such as the timing pattern of fertility, migration levels, insured status, disability termination rates, marital status, administrative expenses, and interest rates.

EFFECT ON OASDI TRUST FUND OPERATIONS OF VARIOUS RATES OF INFLATION AND ECONOMIC GROWTH [1]

Period	Low inflation, fast growth	Intermediate inflation, intermediate growth	High inflation slow growth
1978-82 (in billions of dollars):			
Total tax income	$614.2	$609.2	$598.6
Total expenditures	597.9	598.9	609.5
Difference	16.3	10.3	−10.9
1978-2052 (as pecentage of taxable payroll):			
Average tax income	12.16	12.16	12.16
Average expenditures	13.23	13.55	13.96
Difference	−1.07	−1.39	−1.80

[1] The economic assumptions underlying the 3 models of economic growth are shown in the attached table 10 from the 1978 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. "Economic growth" refers here to increases in the real (i.e., inflation adjusted) gross national product in the near future, and gains in real wage levels in the long-range future. Inflation is measured by the Consumer Price Index. The low inflation/fast growth, intermediate inflation/intermediate growth, and high inflation/slow growth patterns correspond to the alternative I, II, and III sets of assumptions in the 1978 trustees reports, respectively.

[Excerpts from the 1978 Annual Reports of the Boards of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund]

* * * The rate of growth in real GNP is a measure of growth in the real level of economic activity, reflecting changes in employment levels, average earnings, etc., all of which affect total earnings taxable under the OASDI program.

The values assumed for the economic and demographic factors after the early years are intended to represent the average experience for those years and are not intended to be predictions of year-by-year values, which are expected to vary because of possible future economic cycles.

TABLE 10.—VALUES OF SELECTED ECONOMIC AND DEMOGRAPHIC FACTORS ASSUMED IN ALTERNATIVES I, II, AND III, BY CALENDAR YEAR

Calendar year	Percentage increase in average annual— Real GNP [1]	Wages in covered employment	Consumer Price Index (CPI)	Real wage differential [2]	Average annual unemployment rate	Total fertility rate [3]
Alternative I:						
1977	4.9	7.7	6.5	1.2	7.0	1,789.5
1978	4.7	7.2	6.1	1.1	6.3	1,764.6
1979	5.1	8.4	6.0	2.4	5.9	1,793.8
1980	5.5	8.1	5.5	2.6	5.3	1,822.9
1981	5.5	7.6	5.0	2.6	4.9	1,852.1
1982	5.1	7.4	4.5	2.9	4.3	1,881.2
1983	4.0	7.1	4.0	3.1	4.0	1,910.4
1984	2.7	6.0	3.5	2.5	4.2	1,940.0
1985	3.0	5.5	3.0	2.5	4.5	1,970.5
1986	3.3	5.5	3.0	2.5	4.5	2,002.5
1987	3.3	5.5	3.0	2.5	4.5	2,036.0
1988	3.3	5.5	3.0	2.5	4.5	2,070.2
1989	(1)	5.5	3.0	2.5	4.5	2,104.3
1990	(1)	5.5	3.0	2.5	4.5	2,137.3
1991	(1)	5.5	3.0	2.5	4.5	2,168.3
1992	(1)	5.4	3.0	2.4	4.5	2,196.3
1993	(1)	5.4	3.0	2.4	4.5	2,220.7
1994	(1)	5.4	3.0	2.4	4.5	2,241.1
1995	(1)	5.4	3.0	2.4	4.5	2,257.6
1996	(1)	5.3	3.0	2.3	4.5	2,270.6
1997	(1)	5.3	3.0	2.3	4.5	2,280.5
1998	(1)	5.3	3.0	2.3	4.5	2,287.8
1999	(1)	5.3	3.0	2.3	4.5	2,292.8
2000	(1)	5.25	3.0	2.25	4.5	2,296.1
2001	(1)	5.25	3.0	2.25	4.5	2,298.0
2002	(1)	5.25	3.0	2.25	4.5	2,299.1
2003	(1)	5.25	3.0	2.25	4.5	2,299.6
2004	(1)	5.25	3.0	2.25	4.5	2,299.9
2005 and later	(1)	5.25	3.0	2.25	4.5	2,300.0

See footnotes at end of table.

TABLE 10.—VALUES OF SELECTED ECONOMIC AND DEMOGRAPHIC FACTORS ASSUMED IN ALTERNATIVES I, II, AND III, BY CALENDAR YEAR—Continued

Calendar year	Percentage increase in average annual—			Real wage differential [2]	Average annual unemployment rate	Total fertility rate [3]
	Real GNP [1]	Wages in covered employment	Consumer Price Index (CPI)			
Alternative II: [4]						
1977	4.9	7.7	6.5	1.2	7.0	1,789.5
1978	4.7	7.2	6.1	1.1	6.3	1,758.4
1979	4.8	7.9	6.1	1.8	5.9	1,775.1
1980	4.8	7.9	5.7	2.2	5.4	1,791.7
1981	5.1	7.4	5.2	2.2	5.0	1,808.4
1982	4.1	7.4	5.0	2.4	4.8	1,825.1
1983	3.5	7.1	4.7	2.4	4.6	1,841.8
1984	2.5	6.1	4.1	2.0	4.8	1,858.
1985	3.0	6.0	4.0	2.0	5.0	1,876.9
1986	3.0	6.0	4.0	2.0	5.0	1,896.7
1987	3.1	6.0	4.0	2.0	5.0	1,918.2
1988	3.0	6.0	4.0	2.0	5.0	1,941.1
1989	(1)	6.0	4.0	2.0	5.0	1,964.5
1990	(1)	6.0	4.0	2.0	5.0	1,987.8
1991	(1)	6.0	4.0	2.0	5.0	2,009.9
1992	(1)	5.9	4.0	1.9	5.0	2,030.0
1993	(1)	5.9	4.0	1.9	5.0	2,047.5
1994	(1)	5.9	4.0	1.9	5.0	2,062.0
1995	(1)	5.9	4.0	1.9	5.0	2,073.7
1996	(1)	5.8	4.0	1.8	5.0	2,082.7
1997	(1)	5.8	4.0	1.8	5.0	2,089.5
1998	(1)	5.8	4.0	1.8	5.0	2,094.3
1999	(1)	5.8	4.0	1.8	5.0	2,097.4
2000	(1)	5.75	4.0	1.75	5.0	2,099.2
2001	(1)	5.75	4.0	1.75	5.0	2,100.1
2002	(1)	5.75	4.0	1.75	5.0	2,100.3
2003	(1)	5.75	4.0	1.75	5.0	2,100.3
2004	(1)	5.75	4.0	1.75	5.0	2,100.1
2005 and later	(1)	5.75	4.0	1.75	5.0	2,100.0
Alternative III:						
1977	4.9	7.7	6.5	1.2	7.0	1,789.5
1978	4.7	7.2	6.1	1.1	6.3	1,745.9
1979	4.1	8.2	6.3	1.4	6.0	1,737.6
1980	.8	7.4	7.1	.3	7.0	1,729.2
1981	4.0	8.0	7.0	1.0	7.0	1,720.9
1982	4.0	8.3	6.5	1.8	6.6	1,712.6
1983	4.0	8.0	6.0	2.0	6.2	1,704.3
1984	4.0	7.0	5.5	1.5	5.8	1,696.4
1985	3.5	6.5	5.0	1.5	5.5	1,689.6
1986	2.8	6.5	5.0	1.5	5.5	1,684.9
1987	2.8	6.5	5.0	1.5	5.5	1,682.6
1988	2.7	6.5	5.0	1.5	5.5	1,682.7
1989	(1)	6.5	5.0	1.5	5.5	1,681.9
1990	(1)	6.5	5.0	1.5	5.5	1,688.6
1991	(1)	6.5	5.0	1.5	5.5	1,693.0
1992	(1)	6.4	5.0	1.4	5.5	1,697.3
1993	(1)	6.4	5.0	1.4	5.5	1,701.0
1994	(1)	6.4	5.0	1.4	5.5	1,703.9
1995	(1)	6.4	5.0	1.4	5.5	1,705.8
1996	(1)	6.3	5.0	1.3	5.5	1,706.9
1997	(1)	6.3	5.0	1.3	5.5	1,707.3
1998	(1)	6.3	5.0	1.3	5.5	1,707.1
1999	(1)	6.3	5.0	1.3	5.5	1,706.5
2000	(1)	6.25	5.0	1.25	5.5	1,705.4
2001	(1)	6.25	5.0	1.25	5.5	1,704.1
2002	(1)	6.25	5.0	1.25	5.5	1,702.8
2003	(1)	6.25	5.0	1.25	5.5	1,701.6
2004	(1)	6.25	5.0	1.25	5.5	1,700.5
2005 and later	(1)	6.25	5.0	1.25	5.5	1,700.0

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[1] Based on GNP expressed in 1972 dollars (i.e., total output of goods and services adjusted for inflation since 1972). Not projected beyond 1988.

[2] Defined to be the difference between percentage increases in average annual wages and average annual CPI.

[3] Average number of children born per 1,000 women in their lifetime.

[4] As explained in the accompanying text, the economic assumptions for the years 1978–81 are similar to the assumptions underlying the President's 1979 budget.

The real level of economic activity is assumed to grow at differing rates under the three sets of assumptions. The economic recovery from the recession that began in 1974 is assumed to continue at a moderate rate under the intermediate assumptions (alternative II) and at a somewhat faster rate under the optimistic assumptions (alternative I). Under the pessimistic assumptions (alternative III), a pronounced slow-down in economic growth is assumed to begin in 1979 and to continue through 1980, accompanied by increased rates of inflation, with higher rates of economic growth resuming in 1981.

After 1979, under the intermediate assumptions, the assumed annual rate of growth in the real GNP rises to 5.1 percent in 1981 and then declines to about 3 percent by 1985. At the same time, the unemployment rate is assumed to decline to less than 5 percent in 1982 before rising by 1985 to the ultimate assumed rate of 5 percent. It is further assumed that the annual rate of increase in average wages in covered employment will fall to about 6 percent by 1984, remaining at 6 percent through 1991, and declining gradually thereafter until it reaches an ultimate level of 5¾ percent in the year 2000. The rate of increase in the average annual CPI is assumed to decline to 4 percent by 1985, under the intermediate assumptions.

Also under alternative II, the total fertility rate is projected to rise slowly from its assumed 1978 level to its assumed ultimate level of 2.1 children per woman around the year 2005. The effect of future fertility experience on short-range and medium-range projections in based on estimates of workloads and approved budgets for intermediaries and the Health Care Financing Administration. In the long range, administrative cost increases are based on assumed increases in workloads, primarily due to growth and aging of the population, and on assumed unit cost increases of 2 percent less than the increases in average wages shown in table A1.

FINANCING

In order to analyze costs and to evaluate the financing of a program supported by payroll taxes, program costs must be compared on a year-by-year basis with the taxable payroll which provides the source of income for these costs. Since the vast majority of total program costs relates to insured beneficiaries and since general revenue appropriations and premium payments are available to support the uninsured segments, the remainder of this report will focus on the financing for insured beneficiaries.

Taxable payroll

Taxable payroll increases can be separated into a part due to increases in covered wages and a part due to increases in the number of covered workers. The taxable payroll projection used in this report is based on assumptions used in projecting experience under the OASDI program. Increases in taxable payroll assumed for this report are shown in table A2.

Relationship between program costs and taxable payroll

The single most meaningful measure of program cost increases, with reference to the financing of the system, is the relationship between program cost increases and taxable payroll increases. If the rates of increase in both series are the same, a level tax rate over time will be adequate to support the program. However, to the extent that program costs increase more rapidly than taxable payroll, a schedule of increasing tax rates will be required to finance the system over time. Table A2 shows the resulting increases in program costs relative to taxable payroll over the 25-year projection period. These relative increases fluctuate somewhat during the 1978–80 period, due to the ad hoc increases in the maximum earnings subject to taxes. After 1980, the relative increases reduce gradually to an ultimate level of approximately 3 percent per year.

The result of these increases over the duration of the projection period is a continued increase in the year-by-year ratios of program expenditures to taxable payroll, as shown in table A3.

SENSITIVITY TESTING OF COSTS UNDER ALTERNATIVE ASSUMPTIONS

Over the past 20 years, aggregate inpatient hospital costs for all patients have increased substantially faster than increases in average wages and prices in the general economy. As indicated in table A1, the 10-year period preceding Medicare was characterized by an average 10.4 percent increase in hospital costs, nearly 7½ percent higher than the increase attributable to general wage and price increases. The 1966–71 period experienced substantially higher increases in total hospital costs, averaging 16 percent per year. Of this increase, general economic factors accounted for only 5½ percent; the remaining 10½ percent reflected increases in the volume of services provided and in unit input intensity. Even during the 1972–74 period of economic stabilization program controls, hospital costs increased at an average rate of about 12½ percent, over 5½ percent higher than the amount attributable to increases in average wages and in the CPI. Experience for the fully decontrolled years 1975–76 shows an average annual increase in hospital costs of nearly 17 percent, of which about 9 percent is in excess of increases in general economic factors. Preliminary indications for 1977 show hospital cost increases remaining about 8½ percent higher than wages and prices in the general economy.

The sustained, high rates of hospital cost increases in the past raise serious questions concerning future cost increases which might be anticipated. Under conventional economic widsom, the hospital industry would not be expected to sustain indefinitely the same rate of growth, relative to the general economy, experienced during the last 20 years. However, the growth pattern has persisted for a long period of time and shows no indication of halting. The most reasonable pattern of cost increase assumptions for the future, then, would fall between the two extremes of (1) an indefinite continuation of the past levels of excess of hospital cost increases over general economic factors and (2) a decline in the near term to hospital cost increase levels approaching those for the economy as a whole.

In view of the uncertainty of future cost trends, projected costs for the hospital insurance program have been prepared under three alternative sets of assumptions. A summary of the assumptions and results is shown in table A3. The set of assumptions labeled "Alternative II" forms the basis for the detailed discussion of hospital cost trends and resulting program costs presented throughout this report. It represents an intermediate set of cost increase assumptions, compared with the lower cost and more optimistic alternative I and the higher cost and less optimistic alternative III. Increases in the economic factors (average wages and CPI) for the three alternatives are consistent with those underlying the OASDI report.

As noted earlier, the single most meaningful measure of hospital insurance program cost increases, reference to the financing of the system, is the relationship between program cost increases and taxable payroll increases. The extent to which program costs increases exceed increases in taxable payroll will determine how steeply tax rates must increase to finance the system over time.

Under alternative II, program costs are projected ultimately to increase approximately 3 percent faster than increases in taxable payroll. Program expenditures, which are currently about 2 percent of taxable payroll, increase to a level in excess of 5 percent by the year 2000 under alternative II assumptions. Hence, if all of the projection assumptions are realized over time, hospital insurance tax rates by the end of the 25-year period will have to be substantially higher than those provided in the present financing schedule (2.9 percent of taxable payroll, for 1986 and later).

Alternatives I and III contain assumptions which result in program costs increasing, relative to taxable payroll increases, approximately 2 percent less and 2 percent more rapidly, respectively, than the results under alternative II. Under alternative I, programed costs ultimately increase 1 percent more rapidly than increases in taxable payroll. By the year 2000, program expendutures under this alternative would be slightly greater than 3½ percent of taxable payroll. Hence, hospital insurance tax rates required by the end of the valuation period would be greater than those currently scheduled, even under the optimistic alternative I assumptions. Under alternative III, program costs ultimately increase nearly 5 percent more rapidly than increases in taxable payroll. The result of this differential is a level of program expenditures in the year 2000 which is slightly over 7 percent of taxable payroll, more than 4 percent higher than the 2.9 percent tax rate currently scheduled.

TABLE A2.—RELATIONSHIP BETWEEN INCREASES IN TOTAL HI PROGRAM COSTS AND INCREASES IN TAXABLE PAYROLL [1]

[In percent]

Calendar year	HI benefit costs				HI administrative costs [3]	Total HI program costs [3]	HI taxable payroll	Ratio of costs to payroll [4]
	Inpatient hospital [3]	Skilled nursing facility [3]	Home health agency [3]	Weighted average				
1978	18.2	15.8	30.5	18.4	9.6	18.2	11.0	6.5
1979	17.6	16.0	26.0	17.7	10.3	17.6	16.3	1.1
1980	17.1	15.1	19.4	17.1	9.9	17.0	11.9	4.6
1985	13.6	10.2	10.8	13.5	7.8	13.4	7.2	5.8
1990	11.7	8.9	8.9	11.6	7.2	11.5	6.5	4.7
1995	10.8	8.4	8.4	10.7	6.7	10.7	6.4	4.0
2000	9.8	7.9	7.9	9.8	6.0	9.7	6.5	3.0

[1] Percent increase n year indicated over previous year.

[2] This column differs slightly from the last column of table A1, since table A1 includes all persons eligible for HI protection while this table excludes noninsured persons.

[3] Costs attributable to insured beneficiaries only. Benefits and administrative costs for noninsured persons are financed through general revenue transfers and premium payments rather than through payroll taxes.

[4] Percent increases in the ratio of programs expenditures to taxable payroll. This is equivalent to the differential between the increase in program costs and the increase in taxable payroll.

Note: Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

TABLE A3.—SUMMARY OF ALTERNATIVE COST PROJECTIONS FOR THE HOSPITAL INSURANCE PROGRAM

[In percent]

Calendar year	Increases in aggregate inpatient hospital costs [1]				Changes in the relationship between costs and payroll [2]			Expenditures as a percent of taxable payroll
	Average wages	CPI	Volume and intensity	Total	Program costs [3]	Taxable payroll	Ratio of costs to payroll	
Alternative I:								
1978	7.2	6.1	8.7	15.7	18.2	11.0	6.5	2.06
1979	8.4	6.0	7.3	14.8	17.2	16.8	0.4	2.07
1980	8.1	5.5	6.3	13.8	16.1	12.2	3.5	2.14
1985	5.5	3.0	5.4	9.6	11.3	6.6	4.4	2.62
1990	5.5	3.0	3.9	8.0	9.1	6.1	2.9	3.10
1995	5.4	3.0	3.4	7.4	8.0	5.8	2.1	3.49
2000	5.2	3.0	3.1	7.0	7.2	6.1	1.0	3.69
Alternative II:								
1978	7.2	6.1	6.7	15.7	18.2	11.0	6.5	2.06
1979	7.9	6.1	6.3	15.7	17.6	16.3	1.1	2.09
1980	7.9	5.7	6.2	15.3	17.0	11.9	4.6	2.18
1985	6.0	4.0	6.9	12.0	13.4	7.2	5.8	2.86
1990	6.0	4.0	5.3	10.8	11.5	6.5	4.7	3.65
1995	5.9	4.0	5.3	10.2	10.7	6.4	4.0	4.47
2000	5.8	4.0	4.6	9.4	9.7	6.5	3.0	5.20
Alternative III:								
1978	7.2	6.1	8.7	15.7	18.2	11.0	6.5	2.06
1979	8.2	6.8	8.4	16.3	18.1	16.4	1.4	2.10
1980	7.4	7.1	8.2	15.9	17.6	9.4	7.5	2.26
1985	6.5	5.0	8.4	14.3	15.3	8.6	6.1	3.04
1990	6.5	5.0	7.7	13.5	13.8	7.1	6.3	4.22
1995	6.4	5.0	7.7	13.3	13.1	7.0	5.7	5.58
2000	6.2	5.0	6.9	12.5	12.0	6.9	4.8	7.08

[1] Percent increase in the year indicated over the previous year. Includes hospital costs for all patients.
[2] Percent increase in the year indicated over the previous year.
[3] Includes cost attributable to insured beneficiaries only.

Note: Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

MONTHLY ADEQUATE ACTUARIAL RATE FOR DISABLED ENROLLEES

The monthly adequate actuarial rate for disabled enrollees applies to persons eligible to enroll because they have been entitled to disability insurance benefits for not less than 24 consecutive months or because they are suffering from end stage renal disease. Projections for disabled enrollees (other than those suffering from end stage renal disease) are prepared in a fashion exactly parallel to projections for the aged, using the same actuarial assumptions. Costs for the end stage renal disease program are projected using a computer model because of the complex demographic problems involved. The combined results for all disabled enrollees are shown in Table 4.

The projected monthly rate required to pay for one-half of the total of benefits and administrative costs for disabled enrollees for the year ending June 30, 1979, is $24.34. The monthly adequate actuarial rate of $25.00 provides an adjustment for interest earnings and a small margin for contingencies.

TABLE 4.—DERIVATION OF PROMULGATED MONTHLY RATE FOR DISABLED ENROLLEES, YEARS ENDING JUNE 30 OF 1976–79

	1976	1977	1978	1979
Total benefits	$13.85	$16.82	$19.78	$22.60
Administrative expenses	1.57	1.45	1.66	1.74
Incurred expenditures	15.42	18.27	21.44	24.34
Value of interest on fund	–.31	–.41	–.53	–.68
Margin for contingencies and to amortize unfunded liabilities	3.39	1.14	4.09	1.34
Promulgated monthly rate	18.50	19.00	25.00	25.00

SENSITIVITY TESTING

Several factors contribute to uncertainty about future trends in medical care costs. In view of this, it seems appropriate to test the adequacy under alternate assumptions of the rates promulgated here. The most unpredictable factors which contribute significantly to future costs are outpatient hospital costs, physician utilization (measured indirectly and reflecting the use of more visits per capita, the use of more expensive services, and other factors not explained by simple price per service increases), and increases in physician fees as constrained by the program's reasonable charge screens and economic index. Two alternative sets of assumptions and the results of those assumptions are shown in Table 5. All assumptions not shown in Table 5 are the same as in Table 3.

Table 5 indicates that, under the assumptions used in preparing this report, the promulgated monthly rates will result in an excess of assets over liabilities of $1,212 million by the end of June 1979. This amounts to 12 percent of the estimated total incurred expenditures for the following year. Assumptions which are somewhat more pessimistic produce a deficit of $68 million by the end of June 1979, although the balance in the trust fund remains positive allowing the program to continue paying claims as presented. Under fairly optimistic assumptions, the promulgated monthly rates will result in an excess of assets over liabilities of $2,169 million, which amounts to 25 percent of the estimated total incurred expenditures for the following year.

TABLE 5.—PROJECTION FACTORS AND THE ACTUARIAL STATUS OF THE SMI TRUST FUND UNDER ALTERNATIVE SETS OF ASSUMPTIONS YEARS ENDING JUNE 30 OF 1978–79

	This projection		Low assumption		High assumption	
	1978	1979	1978	1979	1978	1979
Projection factors (in percent):						
Physicians' fees [1]	1.8	7.9	7.3	6.4	10.3	9.4
Utilization of physicians' services [2]	2.0	3.0	.5	1.0	4.0	50.0
Outpatient hospital services per capita	25.0	25.0	15.0	15.0	40.0	40.0
Home health agency services per capita	25.0	25.0	15.0	15.0	40.0	40.0
Actuarial status (in millions):						
Assets	$3,320	$3,939	$3,522	$4,711	$3,059	$2,917
Liabilities	2,314	2,727	2,242	2,542	2,415	2,985
Assets less liabilities	1,006	1,212	1,280	2,169	644	−68
Ratio of assets less liabilities to expenditures (in percent) [3]	11	11	15	23	6	−1

[1] As recognized for payment under the program.

[2] Increase in the number of services received per capita and greater relative use of more expensive services.

[3] Ratio of assets less liabilities at the end of the year to total incurred expenditures during the following year, expressed as a percent.

STANDARD PREMIUM RATE

The law provides that the standard monthly premium rate, promulgated to apply for both aged and disabled enrollees, shall be the lesser of:

(*a*) The adequate actuarial rate for enrollees age 65 and older; or

(*b*) The current standard monthly premium, increased by the same percentage that the level of old-age survivors, and disability insurance (OASDI) benefits has been increased since the May preceding the promulgation (and rounded to the nearer dime).

The standard monthly premium rate for the 12-month period ending with June 30, 1978, is $7.70. The OASDI benefit table was increased 5.9 percent in June 1977. The $7.70 rate increased by 5.9 percent, and rounded to the nearer ten cent multiple, is $8.20. Since this is less than the adequate actuarial rate, the standard premium rate is $8.20 for the twelve months ended with June 1979.

Federal SSI cost estimates for fiscal years 1978–82 using Older Americans Act assumptions on inflation and economic growth: Low inflation, fast growth, $28.2 billion; intermediate inflation, intermediate growth, $28.9 billion; high inflation, slow growth, $29.4 billion.

Senator CHURCH. Thank you, Mr. Secretary.

Secretary CALIFANO. Thank you, Mr. Chairman.

Senator PERCY. Mr. Chairman, I ask that my prepared statement be incorporated in the hearing record.

Senator CHURCH. The prepared statement of Senator Percy will be entered into the record at this time.

[The prepared statement of Senator Percy follows:]

PREPARED STATEMENT OF SENATOR CHARLES H. PERCY

"For the first time in history, the ordinary worker now has a life after work," states Andrey Freedman, a labor economist. But all too often this anxiously awaited time of relaxation is plagued with anxiety stemming from financial worry. After spending many years productively employed, a retired person may become bored and frustrated. In short, many things may prevent the retirement years from being golden.

I read an article in this morning's Washington Post which cited a Harvard Medical School study as finding that 10 to 20 percent of elderly persons which are classified as senile are not senile at all. The study found that "One of the largest single causes of false senility . . . is drug intoxication: that is, reactions to medications." This study points out a crucial aspect of the issue at question in this hearing: What happens to the elderly after retirement? More often than not, they are discarded and forgotten. They are shut off in nursing homes, where often they are kept in a state of constant sedation. We construct a world for them, a world separate from the rest of society, a world in which they fit our concept of what a elderly person should be and how he or she should act. How much of the senility which we perceive in the elderly is either nonexistent or is caused by anxieties, ofars, and lack of a sense of accomplishment brought on by retirement? This is one of the issues which I hope we address in these hearings.

Sometimes the older worker is in his or her 40's or 50's and, having served 20 or 30 years with one company, becomes eligible for private pension retirement benefits. That worker may want to retire and live on a pension, or may want to switch careers and needs more education, or may want to continue working but only part time. Other older workers, retiring at age 62, 65, or later hope to live on social security, private pension, savings, or some combination of these. But inflation often takes its toll, and retirement funds that provided for plenty 5 or 10 years ago demand strict budgeting today. For these people, returning to work or continuing to work part time becomes necessary.

It may become a national necessity for people to work longer as we approach the turn of the century. At that time the "baby boom" will become the "senior boom," greatly increasing the number of social security beneficiaries while, due to declining birth rates, fewer workers will be available to support them. This will put on enormous strain on the social security system. Private pension funds, which will also suffer from more beneficiaries per worker, will be in tough financial straits. There have been predictions that there will be a need to encourage workers to stay in the labor force and to reverse the current trend of early retirement. Older workers often have the experience and desire to continue working. In most places of employment they have good attendance records. But they may need or desire a more flexible work schedule. Imaginative plans should be developed and implemented which will answer those needs.

We are holding these hearings to get an early start on developing ways of providing choices to the older person that will be beneficial to both him or her and to the economy. We must plan carefully and creatively for the future, rather than wait for the problem to directly confront and overwhelm us. We must consider the many innovative ways to make jobs retirement and education fit people's lifestyles.

Senator CHURCH. Our next witness is Harold L. Sheppard, director, Center on Work and Aging of the American Institutes for Research.

Mr. Sheppard, we are happy to have you back again with us. Mr. Sheppard was a former researcher for this committee and has considerable knowledge about the role of the older worker in our society. We are pleased to welcome you and hear your testimony.

STATEMENT OF HAROLD L. SHEPPARD, PH. D., WASHINGTON, D.C., DIRECTOR, CENTER ON WORK AND AGING, AMERICAN INSTITUTES FOR RESEARCH

Mr. SHEPPARD. I will try to talk over the din of the audience eagerly waiting to hear my comments.

I want to thank the committee and the Senator for this invitation to participate in this type of hearing. It is also an example of why it was so necessary, in my opinion, to continue this Senate Special Committee on Aging, because it is in the position to deal with broader issues that transcend the jurisdiction of the separate committees.

Most of my remarks today are governed by the tone of the Secretary's testimony here today and his remarks delivered last April to the American Academy of Political Social Science, concerning what seems to be a mounting burden imposed by the increased population of older Americans, especially in the near and long-term future. I want to concentrate on the long-term future and not today's burning issues.

My own view of the issue is, if there is such a burden—and I think we really mean a rising cost level and not necessarily one that we are unwilling to assume—we had better examine the question, what has brought that burden into being, or will potentially bring it into being, and whether those factors need to be inevitable or can be prevented or mitigated or whether they are absolute.

I want to zero in mostly on three of those factors—biomedical, demographic, and economic. That means, therefore, that any new policies designed to resolve that problem has to cut across or transcend otherwise rigid and separate spheres of government and the rest of society. I think many of the things we are talking about today involve programs and policies of not only HEW, but Labor and Commerce.

One of the underlying influences has to do with the policies of government and private institutions concerning the use in the labor force of selected older age groups. I am not going to indulge here in any excruciating detail on the labor force participation trends for people 55 and over.

THE NEW BIOMEDICAL DIMENSION

Another influence is generally labeled as demographic, and we have heard a lot about that today. But it also includes, in my opinion, a new biomedical dimension that I think will be lost sight of if we treat it only within the framework of a conventional demographic point of view. I am referring here, specifically, to the recent sharp drop in mortality rates among older adult Americans. I do not think the implications of this new development have sunken in yet enough in the minds of policymakers and administrators.

The third influence, or factor, is a set of economic variables and developments, some of which are obvious in their relationship to the topic of these hearings, but some factors are not so obvious. The list here includes such matters as inflation, productivity, general employment conditions, and the energy/resource crunch. I am not going to try and elaborate on each one of these separately but I want to try and show how they interrelate with each other, as we try to do in the book that Dr. Sara Rix and I wrote last year, "The Graying of Working America: The Coming Crisis of Retirement Age Policy."

It all comes down to the question: Are we going to have to take another look at the early retirement age trend as the result of the presumed rising costs of supporting a rising very old population? That means it is not enough to use the conventional demographic approach of measuring the so-called dependency ratio in discussing this issue. For one thing, that conventional approach uses an arbitrary and imprecise definition of "working age" population. You will see in a lot of the research literature that it assumes all persons 20 or 21 to 59 years of age, or 16 to 64 are actually working as a support base for the nonworking old and young; second, that they are all working the same amount of hours per year; in other words, no full-time equivalence is taken into consideration when the conventional dependency ratio is used.

To me, the bottom line point is that simply taking a dependency ratio tells us nothing about costs which, after all, is what the fuss is all about. It is quite possible to find, for example, that a dependency ratio goes up over time for nonworking persons per 100 workers, but the costs nevertheless conceivably go down. The dependency ratio might remain the same over the next four or five decades, but the costs could go up. In other words, a simple arithmetic approach tells nothing about costs.

The new biomedical development that I referred to earlier means that we are going to have a far greater number of people, say, 80 and over—greater than we had expected. Since 1969 or 1970, the mortality rates of older age groups have decreased sharply and at a rate far greater than we had previously expected. It is greater, by the way, than for the general mortality decline.

The result is that by the year 2000, even if there is no further progress in the death rates, we can expect 1,725,000 more Americans 80 and older than we had expected for that year as recently as 1971. In other words, we look at the 1971 reports and we find an estimate that is 1,725,000 below what the new report shows, the latest one being 1977. Instead of 6.3 million people 80 and over, we can probably expect about 8 million.

UNANTICIPATED ELDERS

The main point is that 1.7 million of the 3 million additional total number of Americans 65 and over, that extra number will consist of Americans 80 and older. Therefore, in any exercise by HEW and other departments that deal with national accounts projections, the differential costs of supporting specific age components of the so-called 65-plus population has to be taken into account. I think it is very misleading, for example, if we take the average cost of supporting each person 65 and over as of 1975.

For example, Secretary Califano refers to medical cost data of $400 on the average per person 65 and over. It would be a mistake, looking towards the future, so simply multiply that figure times the total number of people 65 and over in order to try and estimate support costs for that year 2000, because the age composition of the 65-plus population is changing somewhat radically. I am assuming here that the total support cost for each person 80 and over is going to be much greater than, say, for those people 65 to 69.

Let me shift a little bit now to some other points. We have yet to learn what the total real impact of recent legislation regarding the shift in the allowable mandatory retirement age of 65 to 70 would be, or what the real impact of the increase in the retirement incentive from 1 to 3 percent will be on the upward age side of this policy issue.

I won't have time to present it here, but there is a supplementary submittal on some research findings that we have been carrying out at the American Institutes for Research with an AOA grant in two cities of 1,000 people. We asked them one question: "To what extent will this new raise in the incentive to stay in the labor force make them consider changing the age at which they retire?" The results were much greater than I expected. About 35 percent said it would make them consider changing their retirement age beyond 65 or were not sure. I don't have time for the details right now, but it is in the total testimony submitted if I may submit that as part of the testimony.

Senator **Church**. Yes; it will be entered into the record.[1]

Mr. **Sheppard**. I think the most important issue in all this is the early retirement issue. When I say important, I refer partly to the relationship of early retirement to the issue of supporting a disproportionately growing population of the very old, the truly dependent part of the population—disproportionately growing because of demographic and biomedical factors. The role of biomedical influences in that growth rate of the very old is a very specific example of the results of our Nation's progress in promoting the health conditions of Americans long before they reach a very old age. If we continue to pursue the goal of improving the health conditions of preelderly Americans—and no one, I hope, can challenge that goal—we must be prepared to cope with the full consequence of successful outcomes, and one of those outcomes is an increase in life expectancy.

That might mean greater support costs for each of the very old people who survived. If that is the case, then we have to consider now and in the short-term future, not to mention the long run, the necessity and the desirability of at least stabilizing or at best raising the age at which people retire in order to sustain or increase the total working population needed to support the costs of the truly aged population.

Again, I want to mention that in the supplementary testimony, referring to our current research, we asked a question that relates to the alternative suggestion for solving some of the social security fund problems, reducing the rate of increase in the number of people retiring.

What I am dealing with is an issue for the Congress and the executive branch, and I find one of the best ways of setting forth that issue is to quote from a 1976 report by the United Kingdom Department of Health and Social Security. They deal with the issue of early retirement, especially as one way of "solving" the unemployment problem in England. They say the following:

> The question facing those who advocate a lower pension age is what priority the government, representing the working population as well as the retired, should give to this cost [of providing an adequate income for men between 60 and 65].

Costs of Early Retirement

In other words, early retirement costs the general economy something, and the benefits, such as the alleged increase in job opportunities for the younger population, might not exceed those costs. Indeed, the real resource costs involved must be reckoned with, including the reduction of an economy's potential output due to early retirement patterns. It is even possible that the standard of living of the remaining working population would have to be lower. After all, the increased cost of early retirement has to be paid from a smaller national product.

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[1] See p. 60.

To be sure, we would be able to support a larger population of nonworking persons of all ages if we were to experience some miracle in productivity increases, but so far there is little prospect for that. Furthermore, the increased costs due to the required adjustments to a growing energy/resource squeeze only aggravate the productivity issue.

An upward change in average retirement age might be in the offing—or at least a slowdown in the early retirement rate might be emerging—as a result of the high and continuing inflation rate. We have already heard about this in the Secretary's testimony. I don't think we have any clear-cut empirical evidence on this, but I think it is plausible to expect that workers reaching 60 or so today might reason that they themselves would benefit from remaining in the paid labor force longer than previously planned.

This also gets reinforced to the degree that such individuals learn about the increase in life expectancy. It means the earlier they retire, the more years they are going to have to face in retirement, and will their income take care of it all. It may also be reinforced because of the apparent health status level of future generations of the young old—a level better than that of current and past generations the same size.

We already know that within the context of options for early retirement pensions, health status of workers is a powerful predictor of actual early retirement. We know that through the Department of Labor's longitudinal studies. We might expect, therefore, that as health status improves, and given the many other factors that I have mentioned, the early retirement trend might be attenuated.

I have not dealt here with the argument that rising costs for supporting older Americans with no change in retirement age can be offset by such developments as the rising labor force participation rate of women, or by the notion that since we are having a smaller youth population, the reduced cost in supporting the young will offset the cost of the older population. Suffice it to say, just in connection with the young-offset argument that the fertility rate would have to decline far more radically than appears likely in order to constitute a fully 1-to-1 offset to the rising older population; and second, even if that were to take place, we still have a question of how much difference that would mean as far as costs, not a body count, are concerned.

I do want to comment at greater length, though, on one of the major themes expressed by the Secretary in his statement on the importance of the family. But I want to make my comments within the framework of demographic and biomedical developments that I have discussed so far. The fact that the very old are becoming an increasingly greater proportion of the general older population is very relevant in this context. I, along with the Secretary, would reject the notion that the family is disintegrating in America, or that families no longer care for their elderly members.

PRESSURES ON FAMILIES

But this may not necessarily mean that, over the next two decades, the adult children of especially the very old can be expected to provide direct services to their elderly relatives or to pay directly for those services. I want to present some figures which can only serve as quantitative clues as to the human side of the emerging problems. They also point up, perhaps, the need to retain high proportions of the 60- to 64-year-old children of these very old persons in the labor force.

Back in 1960 when I was still with this committee, I started to become interested for the first time in how large a percentage of Americans 60 to 64 had parents still alive, as one indication of the responsibilities of those on the verge of retirement or already in their early retirement years. The most convenient way of estimating that percentage is to take the total population 80 and over and divide that by the size of the population 60 to 64 years of age, as a rough approximation of the number of very old parents and relatives that the young old have.

In 1960, according to such an approach, there were 34 very old persons for every 100 persons 60 to 64. Ten years later, this ratio had increased to 46. By 1980, it will probably be 52. By the end of the next decade, by 1990, we can expect to find 63 very old persons for every 100 aged 60 to 64, and by the end of the century—assuming no further "progress" in biomedical activities—the proportion will rise to 79.

Keep in mind that in 1970 the proportion was only 46. Compare that to the estimate for the year 2000, 79.

These kinds of statistics ought to provoke a lot of questions, and especially some policy dilemmas. For example, can we really expect an increasing proportion of Americans in their early sixties to take care of their elderly relatives, especially if they themselves are retired? They might have more time to provide such care, but what about the expenses involved, particularly in relation to retirement income? If we do witness an increase or stabilization of the labor force participation rate of persons 60 to 64, will they, because of the time factor, be able directly to provide those services?

Finally, assuming that much of the support costs for this population of persons 80 and older—nearly 8 million by the year 2000—will be borne by the total working population, might this not constitute a motive on the part of the under-60 working population to keep older workers in the labor force longer than is currently the case, as one way of distributing over a wide population and sharing the collective expenditures?

My concern over the past several years is that as a nation we can assure our very old fellow citizens—those about 80 or older—of a quality of retirement life that will not put them or the Nation to shame. But that goal requires a strong economic base, which implies a large enough working population. I am suggesting here that we need now to consider the need to include in that working population substantial proportions of those age groups that are now defined as retirable.

Finally, if all the things I have been talking about here do lead to a serious reevaluation of current retirement age policy—especially of early retirement trends—we will need, furthermore, to do more in the way of providing effective opportunities for middle-aged and older workers to learn new skills and to be updated in their current ones. So I am hoping, as a result, that both the Department of HEW and the Department of Labor, along with Congress and the private sector, which we have not talked about much here today, that all of these take the appropriate measures to develop programs for medicare development.

I think I better stop here, Mr. Chairman. I apologize for being so long.

[The supplemental statement ot Mr. Sheppard follows:]

SUPPLEMENTAL STATEMENT OF HAROLD L. SHEPPARD

I want to submit to the committee some preliminary findings from the March 1978 phase of an ongoing longitudinal study of older workers by the Center on Work and Aging of AIR, for the Administration on Aging. The study consists of periodic interviews with nearly 1,000 workers or recent workers 40 to 69 years old, in San Diego and Denver.

Some of the questions asked pertain to the major topics for these hearings—especially on retirement age, and the future of the social security system, as well as on the willingness of the public to accept the repsonsibility of supporting an elderly population.

We do not claim that the two samples combined are strictly representative of all workers in this age group, let alone representative of all Americans. But we nevertheless think that the findings are worthy of attention.

First, after informing the respondents that people who retire after 65 can soon increase their yearly social security benefits by 3 percent for each year they continue to work after 65, we asked them if that percentage would be enough for them to consider postponing their own retirement after 65. About one-fourth replied that it would be enough. Another 12 percent could not make up their minds.

Second, nearly two-thirds approved of changing the mandatory retirement age from 65 to 70. I should emphasize that the vast majority of the persons in the sample were under the age of 55.

Third, there appears to be some misunderstanding of how retired worker benefits are financed. For example, more than 40 percent have the mistaken notion that the "social security taxes a worker now pays go into a fund to pay his own benefits when he retires."

Fourth, more than three-fourths of the sample believe that the social security system is in trouble.

Finally, we asked additional questions of this large group of men and women who believe the system is in trouble, questions soliciting their approval or disapproval of four different suggested solutions to "the social security problem."

Nearly three-fifths approved of the idea of using the income tax as an additional source of money for social security benefits.

Two-fifths approved of gradually raising the retirement age "to keep the number of retired people from rising so fast," a proportion higher than we expected.

Two-fifths also approved of raising the social security tax that workers now pay "to keep the fund from going broke."

Only one-fourth approved of keeping social security benefits for people already retired from rising so fast.

More than one-half approved of two or more of these possible solutions. This group was then asked which solution they approved of most of all. The two most favored solutions turned out to be the use of income taxes or general revenues (33 percent); and the gradual raising of the retirement age (28 percent).

There are some very tentative conclusions one might be tempted to draw from these findings. One conclusion might be that there is a general rejection of the notion that workers already retired should be penalized, as far as benefits are concerned, in any effort to solve the problem of financing social security.

At least in the age group covered in our survey, this suggests little in the way of an alleged inter-generational conflict.

The notion of gradually raising retirement age to keep down the rate of increase in the retired population—while rejected by 56 percent—nevertheless had a sizeable minority—41 percent—in favor of this alternative. The further fact that nearly two-thirds of the total sample approve of raising the mandatory retirement age to 70 may be a confirmation of a range of support for this suggestion greater than many would have otherwise expected.

I stress these last few points primarily because I believe we are moving more and more into an open public policy discussion about (1) the degree to which the so-called younger working population—especially those under 60—should be expected to support a growing population of older persons no longer in the work force and who, at the same time, are experiencing an unanticipated increase in life expectancy; and about (2) the degree to which our economy and the government can actually afford the costs of our current early reitrement trend; and also about (3) the degree to which older persons themselves—especially those 60 to

69—may find it financially necessary and desirable to remain in the labor force because of such factors as the high inflation rate, and an increased life expectancy.

Senator CHURCH. Thank you very much, Dr. Sheppard, for your testimony.

The fact that there has been this trend toward earlier retirement is or may be due to the kind of society in which we live—a society in which work itself has so little appeal for many people. In earlier times, many craftsmen took great pride in the work that they did. There was an incentive to continue to work since it was an integral and important part of the life of that person. Today, so much of the work has become simply routine and uninteresting. Maybe that is part of the reason why people look forward to retirement today and would like to stop working as soon as it is feasible for them to do so.

I don't see that changing very much. Do you, in the years ahead, given the nature of our society and the increasing use of the machine, its replacement of the individual worker, the fast production techniques, the large corporation, and the feeling among so many people that they are simply a wheel within a wheel within a wheel?

Mr. SHEPPARD. I certainly have to agree with you that there is a high correlation between the nature of the work a person performs and his or her desire to get the devil out of the work force and retire earlier. I have done some empirical research on that myself, for example, and only found that among male blue-collar workers the lower the quality of their work task—and we had ways of measuring that—even among those under the age of 40, half of them said they would, if they had enough money, retire immediately. I am talking about people under the age of 40, so you are absolutely right in that regard. But I don't know that the directions that we are going to be going in redesigning work and putting some quality into that worklife—I don't want to be too farfetched, but to the degree that all the talk about improving the quality of worklife results in actual change, I would say this would be some offset to the trend we are talking about. I have been dealing primarily in my paper to recognize the economic factors that might bring about change, despite the psychological desire to get out.

THE BABY BOOM'S PROGRESS

Senator CHURCH. I think Secretary Califano spoke of the baby boom that followed the Second World War. In these projections, has that phenomenon been taken into proper account? It seems to me that most of the projections extend into the early part of the next century, where we have this phenomenal enlargement of the elderly population in proportion to the work force, but the projections don't extend beyond that period. I suppose it is accurate in regard to the baby boom of the postwar years as kind of a pig in a poke. As the pig moves through the pipeline, it diminishes very little. But there comes a time when it leaves. I mean it disappears. Aren't these proportions going to change again in favor of the work force to some degree?

I suppose what I am asking is: Are we taking into account in these projection figures the fact that there will be an unusually large proportion of our population in the elderly category for a period of about 20 years, after which the proportions will began to decline again?

Mr. **Sheppard**. Are we talking about 65 years after roughly 1945, which brings us into 2010, when you are going to see, on the demographic side, this big bulge, these babies of all ages, as they go through the process of getting to 65. They are not dying at the rate, say, corresponding cohorts years ago would have died.

Senator **Church**. True.

Mr. **Sheppard**. At the same time, we don't see yet any rise in the fertility rate, which becomes important in answering your question. Right now, I think we are below what we call the replacement rate.

Senator **Church**. But when that group reaches that big bulge—at 65—it is going to remain a big bulge for only about 20 or 25 years.

Mr. **Sheppard**. Then it evens itself out.

Senator **Church**. Because the baby boom has not lasted.

Mr. **Sheppard**. No.

Senator **Church**. The present birth rate is down rather drastically compared to what it was then.

Mr. **Sheppard**. Then the ratio might even itself out again, assuming no other changes in these other phenomena, including early retirement rates, and so on.

Senator **Church**. Yes.

Mr. **Sheppard**. I don't want to worry now about the year 2050 or 2070. A lot of my concern has been about the next 20 or 30 years, which brings us into the 21st century.

Senator **Church**. Yes; I simply wanted to point out that the most extreme figures we have seen may relate to a temporary condition, not a permanent one.

Mr. **Sheppard**. Right.

Senator **Church**. Secretary Califano's staff person has informed the committee staff that Secretary Califano's statement, on page 19, in which he refers to new retirees age 65 have retirement income at about 47 percent of the retirement income is in error. This 47-percent figure refers only to social security benefits and not other retirement income.

Senator Domenici.

Senator **Domenici**. First, I want to express my appreciation for your testimony. I know we have had a long morning, and maybe we have not done it justice, but I think we are all aware, Dr. Sheppard, of your tremendous endeavor and work in terms of employment policies for the elderly. As part and parcel of analyzing the issues that are before us, we are talking about the social programs and the responsibility of government per se, and that there are no answers without addressing the issue that you are so expert in.

Do you find any attitude change in the expectation of the younger worker regarding retirement, inflation, social security, productivity, those things which might have a real bearing upon a solution to the problems or to compounding them?

Mr. **Sheppard**. Well, there are some studies on the national basis that are going on, for example, about confidence in the social security system. It might be a lot of propaganda, direct or indirect, but there has been a rising level of concern about the future of the social security system, and especially among the young adult population.

CONCERN ABOUT SOCIAL SECURITY

Certain segments of the younger population don't want to be paying now for the older people because they don't think they are going to get anything when they retire, which I think is an ominous trend. By the way, we might blame the Social Security Administration—I am going to get in trouble for saying this—for carrying out a very ineffective public education and information program as to the nature of social security, what its benefits are, and so on. They should carry out studies, first of all, to identify what I call the pockets or levels of knowledge or ignorance and the levels of support for, and levels of faith in, the system in order to pinpoint their marketing program, if I can use those terms, and they have not been doing it.

When I made this comment once at a meeting, with some social security people present, they said: "What are you talking about? We publish 35 million pamphlets a year." I am very much concerned about that especially. We can say that social security is involved. I still believe that law is based on consensus, and to the degree that you have that consensus eroded we are in trouble.

Senator DOMENICI. Yes.

Mr. SHEPPARD. It is a social contract and it has to be once more built up.

Senator CHURCH. Would you allow a comment there, please, Senator?

Senator DOMENICI. Yes.

Senator CHURCH. The concern that I find among younger workers who have been reading this criticism of the social security program is quite different from the concern I find among the elderly. The elderly wonder about, indeed, the criticism, and they worry whether or not they will receive their next benefit check or whether the system has gone bankrupt or will soon go bankrupt. I would hope that the action of the Congress last year would tend to mitigate that feeling. But among the younger people, I find the increasing belief that the social security system is some kind of rip-off—a system in which they will not receive anywhere near what they put into it. Many are concerned because they are forced to contribute to a system that they would prefer not to be part of. They would prefer to take their money and buy some kind of an annuity or some other retirement benefit.

I think social security has failed—perhaps all of us have failed—to point out the many hidden benefits within the system that these young people don't take into account—such as the wife and the young children are doing to be cared for if the worker is suddenly killed on the job, and the medicare benefits that are associated with social security. I certainly agree with Senator Domenici that the whole thing must be better explained to younger people because they are increasingly skeptical.

Mr. SHEPPARD. I think in a survey that was published in the Journal of Risk Insurance a year or so ago showed a fantastically low percentage of the sample who were not even aware of survivors' benefits. I am convinced, without any proof now, that the greater the awareness of the benefits, the greater the level of support there will be for social security, and I would like to see somebody check that out.

Senator DOMENICI. Right at the end of your statement, you indicated that there was a role for the private sector in terms of expanding the effective opportunities for middle age and older Americans.

That has not been discussed very much today. Would you just elaborate on that, please?

"LET'S TRY SOMETHING NEW"

Mr. SHEPPARD. This is one way of elaborating. There are some sophisticated companies in the United States that have taken a look at the aging of their work force, and have expressed a concern about the possibilities of the so-called obsolescence or the plateauing of their middle-aged employees, including the professional and technical people, especially. Instead of using the traditional approach of saying, let's retire them early to solve that problem, recognizing all the things that we have been discussing here today, they are saying let's try out something new.

We will give an employee 6 months to a year to go off and get his skills updated. If he wants to change his career line we will also pay for that. Some of them have even talked about, in some of the advanced technology industry, being willing to set up an employee in a business on a trial run and if it does not work out, bring him back again. All of these are ways to keep that person utilized effectively. Sometimes he will have the more popular option of having a "lateral" transfer to a less difficult position.

I am trying to give you something innovative. I also think that Congress might explore the results of, say, what France has been doing for the last several years which consists, I think, and I have not kept up with it, of a tax on all employers for such programs, who then get a rebate to the degree that they have employees in such programs for retraining, and so on. I am talking about midcareer age people. I don't think with all the talk about inflation incentives from the Government to employers could be advocated. I may be wrong because that would be one more thing knocked down on the ground of inflation, but what about the idea of a refundable tax if a company provides such a program under certain conditions?

I am giving an off-the-top-of-my-head answer to your very important question, Senator. I wish I could give a more detailed answer.

Senator DOMENICI. Let me just ask you two more questions.

I would suspect that the very recent phenomenon of very high inflation—which many Americans are beginning to think is never going to return to the so-called good old days—my hunch would be that that would be an incentive to remain on the job. Anyone studying pension potential, whether it be social security or private, must figure they are going to be better off working. Am I correct that this may be an incentive to remain on the job beyond the previous retirement time?

Mr. SHEPPARD. You are correct to the degree that I am willing to guess that will happen. As I said in my testimony, it is only plausible to assume that. To the degree that people are inflation conscious, and I don't know who is not these days, and if they are in good health and they are in a somewhat satisfying job, they are weighing all these variables that affect the early retirement decision.

Senator DOMENICI. Do you agree, basically, with the theme of Secretary Califano's method, that we need the mix of the private and public interest income maintenance programs for those who are no longer supporting themselves, that one of the major problems is that they don't have any inspiration, that there is just a proliferation of different plans?

CRACKS AMONG THE PATCHWORK

Mr. SHEPPARD. I no longer can pretend to be an expert on it any more because of the multiplicity of quilt work or patchwork is separate, somewhat overlapping, et cetera. et cetera, programs. I have given up. You are absolutely right. Many people, at the same time, fall between the cracks because there is not a total coordinated approach.

Senator DOMENICI. Your notion of involving the private sector in some way to better utilize older people and keep them on longer, would that have an ameliorating effect on the so-called underfunding of private pension plans? Could it?

Mr. SHEPPARD. We dealt to some extent on that in our book, "The Graying of Working America," and in certain types of plans that is definitely the case. We have had some pension fund managers concerned about the rising costs of early retirement policies or trends sometimes encouraged by the payroll management. So you can get in a company a tension between two types of managers, a pension fund manager saying to the payroll manager, "Don't you try to solve your problems by dumping them on my back." That is an analogy to what is happening at the national level or public policy level.

Senator DOMENICI. Thank you, Mr. Chairman.

Senator CHURCH. Certainly, Senator Domenici.

I don't know whether you can answer this question or not but I am rather curious to know whether private insurance programs typically include a cost-of-living adjustment in the retirement benefit.

Mr. SHEPPARD. It is vary rare, and as you know, that would add again more to the cost of certain retirement age patterns. The Bankers Trust, every 5 years, does a study of how many corporate plans or a percentage of them have those features still relatively low.

Senator CHURCH. What about private insurance annuity policies? Are there many of those, or any of those to your knowledge, that contain a cost-of-living adjustment?

Mr. SHEPPARD. I am not aware of any. That is another example of why that so-called approach of having the young people put their money in a private annuity just does not make sense.

Senator CHURCH. I know.

Mr. SHEPPARD. I would do it my self if I could, but it does not make sense.

Senator CHURCH. This is something that is never taken into account by these critical articles that condemn the social security system, which point out the kinds of private annuities available and what kinds of annuity they pay at retirement age, and so on.

Bill Oriol suggested it might be interesting if we brought many young people who are critical of the social security program into a hearing of this committee, either here or in the field, and let them prepare questions for the social security experts to answer. This is an educational effort, and we could make a record of it here. It certainly needs to be made.

Mr. SHEPPARD. Doing the work of the Social Security Administration.

Senator CHURCH. They are not getting the message.

Mr. SHEPPARD. I know.

Senator CHURCH. And it needs to be done.

Thank you very much.

Senator DOMENICI. I have five or six more questions that I will submit, that you can answer at your leisure.

The growing population of over 80's, which you have been discussing, from this Senator's standpoint, is a rather new dimension. Is there any suggestion that we ought to have some program in terms of caring for them, other than what we have for the so-called early retirees?

Mr. SHEPPARD. Well, I would not say they need anything special except to keep in mind the service needs of the people now 80 and over. If I am not mistaken, the nursing home population is made up of the very old and that means that in the future, increasingly, some kind of service that we associate with nursing homes will have to be expanded, it is that type of program.

I am glad you picked up the point I was trying to make, that it has been a neglected aspect of these changes. We cannot continually use that sloppy category, 65 and over, any more. I would like to see the Census Bureau and the Labor Department, or whatever, start having finer distinctions. The numbers are getting bigger and the probelms of the 65-year-old population are nothing those like of the 80- or 85-year-old.

FAMILY TIES PERSIST

Senator DOMENICI. This question may not be in an area that you are expert in, but both you and the Secretary mentioned the family—its responsibility and whether it has undergone some generic change. I am most impressed with experts from all over the world who say it really has not. Demographics and distance may be gradually changing, but the willingness to care and love has remained rather consistent. As one of our witnesses said at our international hearing last fall, "What you are really noticing is that older people always love younger people more than younger people love older people." That seems to be something very natural, but that was also true in the "good old days." If we're discussing sacrifice, an older person usually has a bigger heart, but the willingness to help is also there among the young.

Do you have any suggestions as to what we might, as a matter of policy, be doing to encourage families; I might say, to make it easier for them in the present economic system? It is not all our job, but do you have any ideas?

Mr. SHEPPARD. I am glad you posed it in terms of among those who are willing, can't we make it easier for them?

Senator DOMENICI. That is correct.

Mr. SHEPPARD. There are two types of cost they pay, time cost and material cost. Sometimes time costs are greater and we have never done much about developing part-time home health aides for the 80 and over. They need some kind of day care program. They don't all have to be in nursing homes, but I want to say in this context that I got a funny feeling that most of the thrust of our attention these days is how do we get rid of nursing homes.

I think we better start talking about how do we reduce the rate of increase in these nursing homes between now and some future year. We are not going to get rid of something that performs the function today of a nursing home. The demographic reasons I gave earlier, when I talked about the increasing proportion of people in their sixties with very old parents, can be turned the other way. Decreasingly, the very old will not have many children. That is the demographic framework, the thing which you have to think about in considering the role of the family.

Senator DOMENICI. I don't know the answer to this; I should. Assume a couple wants to bring a practical nurse into a household to help take care of either momma or grandma or grandpa. What is the tax situation on that, do you know? We can find out.

Mr. SHEPPARD. I am ignorant about that. I don't know what the tax rate is that they are getting. The only thing I am aware of is if you support an elderly parent at least 50 percent, a child would get some exemption, but I am not certain about such items.

Senator CHURCH. You have to pay more than half of the total support.

Senator DOMENICI. I wonder if it might not be appropriate at this point, Mr. Chairman, to ask our own staff to give us, for the record, the next time we meet, a summary of the tax issues as they involve care and maintenance of this family? I think this might be a good thing.

Senator CHURCH. I think it is a very good idea.

I would also like to point out that Sara Rix worked as a coauthor with Dr. Sheppard on the book, "The Graying of Working America," from which we have taken a portion of the title for our hearings. I believe she is in the room.

Sara, would you please stand up. I want to acknowledge your presence. I compliment you on the excellence of this work.

Dr. Sheppard, thank you very much.

The hearings will continue tomorrow at 10 a.m. in this room.

[Whereupon, at 1:16 p.m., the committee recessed, to reconvene at 10 a.m. Tuesday, July 18, 1978.]

APPENDIX

CORRESPONDENCE RELATED TO HEARING

ITEM 1. LETTER AND ENCLOSURE FROM SENATOR FRANK CHURCH, CHAIRMAN, SENATE COMMITTEE ON AGING, TO HON. JOSEPH CALIFANO,[1] SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, DATED JULY 31, 1978

DEAR MR. SECRETARY: Your excellent statement was exactly the right beginning for our continuing hearings on "Retirement, Work, and Lifelong Learning." I would like to thank you, once again, for giving us such a substantial and challenging overview presentation.

I have compiled a list of questions and requests either made at the hearing or added since. We would like to have this additional material by September 5 for inclusion in our hearing record. If it is not possible to give a final statement on any individual matter, I would be glad to have an interim response indicating when the additional information will become available.

With best wishes,

Sincerely,

FRANK CHURCH,
Chairman.

Enclosure.

QUESTIONS FOR SECRETARY JOSEPH CALIFANO

(1) The committee shares your concern about the trend toward earlier retirement. What positive and effective steps should be taken to counter this trend? What should the Government's role be? In addition, what about members of minority groups, so many of whom do not live long enough to reach present social security eligibility ages?

(2) You pointed out, as this committee has on numerous occasions, that home health care receives less than 1 percent of medicaid money. Medicare has a similarly low percentage. You call for an expansion of in-home services but warn that costs and quality must remain under control. What is HEW doing to expedite these services while harnessing costs and invitations to abuse?

(3) You placed appropriate emphasis on the role of health costs at our recent hearings. If too large a part of retirement income goes for health costs, even with medicare and medicaid, our older population will live in uncertainty and even fear, as will the younger members of their families. I am concerned about your listing, as one of the options for our thinking about a national health program for all age groups, the alternative of creating a separate financing and delivery system for long-term care. Do we run the risk, if we place that system outside of everything else in a health care system, of having a "separate but equal" type of situation?

(4) What should be the role of education as the baby-boom children become the adults of the "senior boom"? What should the role of the Office of Education be in providing learning opportunities throughout life? What are your plans for the Office of Lifelong Learning?

(5) Would you submit a detailed, written account of the totals used in your statements and projections about the amount of budget funds allotted to older Americans, including a breakdown on what is provided through trust funds, and what is discretionary and what is not?

(6) Consumer prices increased 4.8 percent in 1976, 6.8 percent in 1977, and so far this year they are rising at a rate of 9.8 percent. In its analyses of future commitments for retirement income in this Nation, is HEW taking such inflationary pressures adequately into account?

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[1] See statement, p. 6.

(7) What impact, if any, will raising the mandatory retirement age to 70 for many workers in the private sector have on the social security system?

(8) Do you see any trends in our society now—such as the enactment of the 1978 Age Discrimination in Employment Act Amendments or the increase in the delayed retirement credit form 1 percent to 3 percent per year for persons who not receive social security benefits because they work after age 65—to counter the drift toward earlier retirement?

(9) You will announce around the first of October what the 1979 inpatient hospital deductible charge will be for medicare patients. What is the projection at this time? What, if anything, can be done to hold down or put a ceiling on this rapidly increasing charge, which is posing more of an onerous burden for millions of older Americans.

(10) On page 7 of your testimony, you describe programs which pay out benefits to the elderly, including survivors and disability insurance. How much of total expenditures from these two programs goes to people over 65, when compared to total expenditures? Also, please give the totals paid for the other four programs.

(11) You have mentioned that the proportion of dependent children is likely to decline as our population "ages." You have projections for increased spending for the elderly. Do you have projections for spending for youth?

(12) In your testimony earlier this year on extending the Older Americans Act, you endorsed a White House Conference on Aging in 1981. In view of the very challenging statement you have made, do you think we should make special efforts to gather data and take other actions steps to make this conference more than just a discussion about developing policy? Would it be wise to have working models in place of concepts to apply on a larger scale if the conferees and the Administration and the Congress thought them worthwhile? For example, in advance of the conference, could we not put in place, on a scale not yet achieved, a pilot of the long-term care system you so vividly described?

(13) If our Nation decides to abolish poverty for older Americans, what would be the most effective way to approach this goal? For example, should the emphasis be on supplemental security income, social security, a combination of these two programs, or some other approach?

ITEM 2. RESPONSE OF SECRETARY JOSEPH CALIFANO TO QUESTIONS SUBMITTED BY SENATOR FRANK CHURCH

Question. The committee shares your concern about the trend toward earlier retirement. What positive and effective steps should be taken to counter this trend? In addition, what about members of minority groups, so many of whom do not live long enough to reach present social security eligibility age?

Response. The very existence of the social security program of course has had an influence on when people retire. Since reduced benefits were made available as early as age 62, more and more workers have been retiring early. However, to provide some incentive for continuing employment, the social security law contains provisions that increase benefits of people who remain in the work force past age 65 or who return to work after their initial retirement. There are three mechanisms for increasing social security benefits because of additional work: (1) for workers who have high relative earnings after age 65, benefits may be recomputed to take account of these earnings, (2) a delayed retirement credit is provided for workers who work past age 65 and who, though eligible for benefits, do not rereceive them, and (3) individuals who retire before age 65 and return to work for periods before attaining age 65, earning sufficient amounts to reduce their monthly benefit for one or more months will have their benefit permanently increased to reflect a later retirement date.

We are considering the broad issues of how to increase incentives for continued employment past age 65. Unemployment benefits and social security disability benefits are already available to people who are unable to find jobs or are too disabled to work until age 65. After the turn of the century, a sharp change in the ratio of workers to beneficiaries is projected. This would result in substantially higher costs to the system. With improvements in rates of mortality and morbidity among the older population and the shrinkage in the relative size of the working age population, there may well be additional opportunities for, and interest in, continued employment among the aged. As a result, recent trends toward early retirement might be reversed as these demographic shifts occur.

It is true that black men and women have lower life expectancies than do white men and women. The average life expectancy at birth for males of black and other minority races in 1975 was 63.6 years compared to 69.4 years for white males—an average difference of 5.8 years. For females the average at birth was 72.3 years for members of minority races compared to 77.2 years for white females—an average difference of 4.9 years.

For persons who survive until middle-adulthood, the difference in life expectancy narrows considerably. Of persons aged 45, the life expectancy was 77.0 years for members of black and other minority races and 79.8 for whites—a difference of 2.8 years. For all four groups, the average total life expectancies at age 45 are well beyond the eligibility ages for retirement benefits under the social security program. Thus, for adults who have had time to build up significant credits toward retirement benefits, members of all four groups have reasonably good probabilities of surviving until retirement age.

While the life expectancy of minority groups is shorter than that for others, they get a better buy for their contribution dollar because of the greater tendency for minorities to receive survivorship and disability benefits. In 1976, for example, members of black and other minority races made up the following proportions of persons receiving old-age, disability, and young survivor benefits:

Old-age: 9.1 percent of retired workers and their dependents; 7.2 percent of aged widows and widowers. Disability: 18.1 percent of disabled workers and their dependents. Young survivors: 23.2 percent of the children of deceased workers; 22.5 percent of widowed mothers and fathers.

The entire range of issues relating to the social security retirement age and at what age social security benefits should first be payable is being extensively studied by the current Advisory Council on Social Security. The final report of the Council is due by October 1, 1979.

Question. You pointed out, as this committee has on numerous occasions, that home health care receives less than 1 percent of medicaid money. Medicare has a similarly low percentage. You call for an expansion of in-home services but warn that costs and quality must remain under control. What is HEW doing to expedite these services while harnessing costs and invitations to abuse?

Response. We are quite concerned that aspects of the benefits and eligibility structure of both medicare and medicaid have meant relatively low utilization of home health benefits. HEW is completing a study of in-home care offered under titles XVIII, XIX, and XX of the Social Security Act. We have welcomed this opportunity to look critically at the current system of home health delivery. Our report will encompass a full analysis of the issues you raise and will contain recommendations related to benefits, eligibility, program management, regulation, and quality standards, etc. When the report is forwarded to Congress, which will be very soon, we will provide a copy to the committee.

Question. You placed appropriate emphasis on the role of health costs at our recent hearings. If too large a part of retirement income goes for health costs, even with Medicare and Medicaid, our older population will live in uncertainty and even fear, as will the younger members of their families. I am concerned about your listing, as one of the options for our thinking about a national health program for all age groups, the alternative of creating a separate financing and delivery system for long-term care. Do we run the risk, if we place that system outside of everything else in a health care system, of having a "separate but equal" type of situation?

Response. Last fall when the National Health Insurance Advisory Committee discussed the options for benefits to be covered by a comprehensive health plan, they agreed that long-term care should not be included. While decisions about the benefit package for a national health plan have not yet been made, we would like to point out the following:

First, long-term care is not an "insurable" benefit in the classic sense. Most who require it need care on a continuing and regular basis, thus making the financing of long-term care inappropriate in an insurance mode, which is based on statistical probability of needing a particular service.

Second, the long-term care system is in need of reform, and by merely transferring the costs currently provided through public programs to another payment source, this much needed reform could be overlooked.

Finally, the chronic nature of long-term care disabilities means that it is a costly service to provide, with high per-person costs. Some feel that including it as an NHI benefit may result in inadequate funding and restricted use of the benefit in order to accommodate services which benefit the entire population, rather than the portion who require continuing chronic care. Again, it should be emphasized that final decisions have not been made concerning the benefits to be covered under NHI. We will take into consideration the comments of the Advisory Committee and others who have communicated their views to us over the past year.

Question. What should be the role of education as the baby-boom children become the adults of the "senior boom"?

Response. That is a problem which we are continuing to study, especially with the new authorizations in the Education Amendments of 1978 and through our lifelong learning study.

As you may already know, the Federal government already provides several programs of support for the education of adults and older Americans through programs authorized by the Adult Education Act of 1966 (AEA), as amended, and the Higher Education Act of 1965 (HEA), as amended.

The AEA was originally enacted in 1966 to expand educational opportunity and encourage the establishment of programs of adult public education that would enable all adults to continue their education to at least the level of completion of secondary school and make available the means to secure training that would enable them to become more employable, productive, and responsible citizens. It has been amended in 1974, 1976, and again in 1978 in an effort to refine its purposes and attempt to ensure that its purposes are met. With the Education Amendments of 1978, the following changes were made in the Adult Education Act:

The statement of purposes was revised to include the purpose of enabling adults to acquire basic functional skills;

Eligible entities were broadened to include public and private nonprofit agencies, organizations, and institutions;

The State plan requirements were modified to require improved needs assessment, provide for an expansion of delivery services for adult education requiring greater consultation with outside groups in planning for programs, and require efforts by the State to remove barriers to the participation in adult education programs;

The research, development, and evaluation authority was broadened, and a clearinghouse authorized to improve the dissemination of information on adult education;

Appropriations were authorized at $210 million for fiscal year 1979, increasing to $290 million for fiscal year 1983.

The program to enhance educational opportunities for Indians was extended through fiscal year 1983; and

A new program was created to provide adult education for immigrants.

When the HEA was originally enacted in 1965, title I of the act (Community Service and Continuing Education) authorized a program designed to assist the people of the United States in solving community problems such as housing, poverty, government, recreation, employment, youth opportunities, transportation, health, and land use through a program of grants to states. Included in this program was the use of extension and continuing education programs which provided educational opportunities to adults. In 1976, the act was amended to specifically authorize a program of continuing education designed to provide postsecondary educational opportunities to meet the educational needs and interests of adults, including the expansion of available learning opportunities for adults who were not adequately served by current educational offerings in their communities. In addition, the 1976 amendments created a new program of lifelong learning which included adult basic education, continuing education, independent study, agricultural education, business education and labor education, occupational education and job training programs, parent education, postsecondary education, preretirement and education for older and retired people, remedial education, special educational programs for groups or for individuals with special needs, and also educational activities designed to upgrade occupational and professional skills, to assist business, public agencies, and other organizations in the use of innovation and research results, and to serve family needs and personal development. Among the activities authorized by the new program was a clearinghouse function designed to identify, collect, and disseminate to educators and the public existing and new information regarding lifelong learning and report on such findings. The attached report on lifelong learning is the result of that review.

The report discusses some other approaches to learning for older adults as follows:

Independent home-based learning is a logical direction to explore for the older age groups since many of the elderly watch television and prefer to stay at home in the evening. Mass media, correspondence courses, community outreach, educational brokering and counseling can be effective in increasing learning opportunities for older persons.

With more older workers remaining in the workforce and/or changing jobs, employees and employers have much to gain if more job training opportunities are extended to older persons.

The learning needs of those who choose to retire from paid employment should not be neglected either. ACTION's Foster Grandparent Program is a good example of older persons using their experience and talent in community service. Investments in preretirement training and in programs in which older persons can use their experience and talent in community service benefits society as well as the individual.

Fields of knowledge such as history, fine arts, and literature can also be invaluable in helping older persons deal with the traumas of later years. Elderhostel 1977, a summer "live-in-and-learn-in" program, enabled 4,500 older persons to move into dormitories in colleges throughout the country and to study such subjects as theater arts, philosophy, and autobiography. Such pursuits help older persons enhance their self-esteem, develop creativity and increase their sense of control over the events of life.

Education for older people is sometimes challenged as a "frill" which cannot be justified at a time when such pressing needs as health care, income maintenance and crime prevention require attention. However, continuing education may be one of the best ways to meet these needs and help solve major social problems. For example, government expenditures for health care services are higher for this age group than for any other. In order to limit these expenses, it would be logical to pursue preventive health care and self-help measures. Through health education programs that teach older persons to ward off illness through proper nutrition and physical exercise and that teach heart patients, for example, to utilize self-care techniques, the government may recognize cost savings. Many such programs could become components of existing public health services. Further, the older person is the target of robberies, muggings, and other crimes. A small percentage of funding for law enforcement could be allotted to teach older people how to avoid victimization, defend themselves successfully, and set up citizen ombudsmen groups against crime.

Question. What should the role be of the Office of Education in providing learning opportunities throughout life?

Response. With the increasing numbers and improved health of the older population, an Office of Education lifelong learning strategy that takes their problems and potential into account should be directed toward the following goals:

Improved coordination of Federal efforts for older adults.

Coordination of education and aging networks at the State levels including the State offices on aging, the cooperative extension service, public welfare offices which administer Social Security, and membership organizations such as the American Association of Retired Persons, the National Council of Senior Citizens, and the Gray Panthers;

Research on the learning needs and patterns of older adults including the study of how they learn best, what they want to learn, what motivates them to learn, and how they can use their special abilities to contribute to society as well as help themselves; and

Research on the learning needs and patterns of all minority group older adults—Blacks, Hispanics, native Americans, and Asians. As a result of the unique cultural attributes of these minority groups, research on their diverse learning abilities and needs merits additional study.

Question. What are your plans for the Office of Lifelong Learning?

Response. We have no plans for the Office of Lifelong Learning.

The 95th Congress did not appropriate the $5 million President Carter requested for Lifelong Learning in his 1979 budget.

Further, the Office of the Assistant Secretary for Education is currently exploring ways to coordinate the Lifelong Learning program funded by the various Federal agencies.

Question. Would you submit a detailed, written account of the totals used in your statements and projections about the amount of budget funds allotted to older Americans, including a breakdown on what is provided through trust funds, and what is discretionary and what is not?

Response. The figures used for the projections are contained in the attached tables 1 through 6. The $350 billion figure quoted on page 69 of the transcript is derived from the report and projections as cited in the footnotes of table 2. The exact estimate from table 2 is $356.4 billion for the year 2010. Table 1 is a listing of some major Federal programs that provide benfits and services to the elderly.

TABLE 1.—FEDERAL PROGRAMS PROVIDING BENEFITS TO THE ELDERLY

Program	Agency	1978 budget outlays (millions)	Number of elderly served
Public Housing, sec. 8	HUD	776.0	2,201,000
Elderly food stamps	Agriculture	561.0	1,100,000
Administration on Aging	HEW	508.8	[1] NA
Unemployment insurance	Labor	[2] 496.3	[2] 34,800
Housing for the elderly and the handicapped	HUD	[3] 335.0	NA
Title XX, Administration for Public Service	HEW	300.0	NA
Coast Guard retirement	DOT	[4] 155.4	NA
Rental housing assistance, sec. 236	HUD	150.0	343,000
Title IX, Older Americans Act	Labor	[7] 140.7	NA
Rent supplement	HUD	113.0	104,000
Employment services	Labor	[5] 91.8	[5] 1,767
CETA II and VI	do	54.5	11,600
Block grants	HUD	39.0	NA
Foster grandparents	ACTION	34.9	[6] 16,250
Elderly feeding	Agriculture	30.0	395,000
Foreign Service retirement	State	27.3	1,472
Capital assistance	DOT	25.0	NA
Employee retirement income security	Labor	24.0	NA
CETA I	do	20.8	13,130

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[1] HEW has data on the number of service units, but not the number of elderly served.
[2] Includes railroad.
[3] Includes elderly and handicapped.
[4] Retirees can retire after 20 yr active service regardless of age.
[5] Recipients are 45 and older.
[6] Number of volunteers.
[7] Recipients are 55 and older.

TABLE 2.—GOVERNMENT PAYMENTS MADE ON BEHALF OF PERSONS AGE 65 AND OVER

Calendar Year	In billions of current dollars						In billions of 1978 dollars					
	HEW programs (includes Black Lung Benefits)	Civil service retirement	Railroad retirement	Military retirement (based on current ratios)	Veterans' benefits	Combined	HEW programs	Civil service retirement	Railroad retirement	Military retirement	Veterans' benefits	Combined
1960	9.9	0.4	0.8	0.1	1.6	12.8	21.1	0.9	1.7	0.2	3.4	27.3
1965	14.[illegible]	.7	.9	.7	2.3	18.8	29.9	1.4	1.9	.3	4.6	38.1
1970	32.5	1.3	1.5	.4	2.5	38.2	53.2	2.2	2.5	.6	4.1	62.6
1975	65.4	3.6	2.7	.7	3.3	75.7	76.2	4.3	3.1	.9	3.9	88.4
1977	84.0	4.9	3.1	.9	3.7	96.6	88.5	5.2	3.3	.9	3.9	101.8
1978	94.3	5.5	3.2	.9	4.6	108.5	94.4	5.5	3.2	.9	4.6	108.6
1979	105.[illegible]	6.2	3.3	1.0	4.8	121.2	100.6	5.9	3.0	1.0	4.5	115.0
1980	117.8	6.9	3.5	1.1	4.9	134.2	106.9	6.2	3.1	1.0	4.5	121.7
1981	130.4	7.6	3.5	1.2	5.1	147.8	113.2	6.6	3.0	1.0	4.4	128.2
1982	143.9	8.3	3.4	1.2	5.3	162.1	120.7	7.0	2.9	1.0	4.5	136.1
1983	157.[illegible]	9.1	3.4	1.3	5.6	177.3	127.3	7.3	2.8	1.1	4.5	143.0
1984	173.4	9.9	3.4	1.4	6.7	194.8	134.4	7.7	2.7	1.1	4.9	150.8
1985	189.8	10.7	3.4	1.5	7.0	212.4	141.2	8.0	2.6	1.1	5.2	158.1
1990	287.4	15.3	3.3	2.0	9.2	317.2	175.9	9.3	2.0	1.2	5.6	194.0
1995	427.0	20.6	2.9	2.7	10.0	463.2	215.0	10.4	1.4	1.4	5.0	233.2
2000	604.9	27.5	2.5	3.5	9.3	647.7	250.1	11.4	1.0	1.5	3.8	267.8
2005	845.4	36.5	2.2	4.5	6.3	894.9	287.4	12.4	.7	1.5	2.1	304.1
2010	1,214.7	49.8	2.0	5.7	3.6	1,275.8	339.4	13.9	.6	1.5	1.0	356.4
2015	1,793.1	71.6	2.0	7.2	1.7	1,875.6	411.7	16.4	.5	1.7	.4	430.7
2020	2,667.3	99.8	2.1	9.2	.5	2,778.9	503.5	18.8	.4	1.7	.1	524.5
2025	3,945.9	136.2	2.3	11.7	.1	4,096.2	612.1	21.1	.4	1.8	0	635.4

Note: Source of figures and comments (as assembled by Office of the Actuary, Social Security Administration)—HEW programs—Based on current law using 1977 trustees report assumptions; Civil service—Derived from CSRS actuary's projection of nondisability benefits at all ages, based on discussion as to age trends; Railroad retirement—Used RR retirement actuary's projection unadjusted. Benefits after 1980 understated if present law is amended for inflation; Military retirement—Used DOD actuary's projection unadjusted. Benefits after 1978 reflect current law and 5 percent annual pay increases; VA benefits—Includes health care pensions and insurance payments. VA projection to year 2000 extended by SSA.

TABLE 3.—GOVERNMENT PAYMENTS MADE ON BEHALF OF PERSONS AGE 65 AND OVER

	As percent of GNP						Projections are billions of current dollars		
Calendar year	HEW programs	Civil Service retirement	Railroad retirement	Military retirement	Veterans' benefits	Combined	GNP	Defense outlays (fiscal years)	CPI deflator
1960	1.96	0.08	0.16	0.01	0.31.	2.52	$506.0	$44.3	0.466
1965	2.15	.10	.14	.02	.33	2.74	688.1	48.5	.496
1970	3.29	.13	.15	.04	.26	3.87	982.4	78.6	.611
1975	4.28	.24	.17	.05	.21	4.95	1,528.8	85.6	.846
1977	4.42	.26	.16	.05	.20	5.09	1,901.0	97.5	.949
1978	4.43	.26	.15	.04	.21	5.09	2,123.0	107.6	1.000
1979	4.49	.26	.14	.04	.20	5.13	2,358.0	117.8	1.053
1980	4.54	.26	.13	.04	.19	5.16	2,595.0	123.3	1.102
1981	4.65	.27	.12	.04	.18	5.26	2,802.0	128.4	1.148
1982	4.79	.28	.11	.04	.18	5.40	3,011.0	133.6	1.194
1983	4.89	.28	.11	.04	.17	5.49	3,230.0	138.8	1.241
1984	5.00	.29	.10	.04	.18	5.61	3,459.0	144.4	1.291
1985	5.13	.29	.09	.04	.19	5.74	3,703.0	150.2	1,343
1990	5.62	.30	.06	.04	.18	6.20	5,114.0	182.8	1.634
1995	6.08	.29	.04	.04	.14	6.59	7,029.0	222.3	1,987
2000	6.33	.29	.03	.04	.10	6.77	9,564.0	270.8	2.418
2005	5.50	.28	.02	.03	.05	6.88	13,007.0	329.1	2.942
2010	6.93	.28	.01	.03	.02	7.28	17,520.0	400.4	3.579
2015	7.70	.31	.01	.03	.01	8.05	23,300.0	487.2	4.355
2020	8.69	.33	.01	.03	.00	9.06	30,679.0	592.7	5.298
2025	9.78	.34	.01	.03	.00	10.15	40,350.0	721.1	6.446

Note: GNP projected in proportion to taxable payroll for medicare. Defense outlays projected in proportion to CPI assumed after 1979.

TABLE 4.—GOVERNMENT PAYMENTS MADE ON BEHALF OF PERSONS AGE 65 AND OVER

[In billions of current dollars]

Calendar year	OASDI	HI	SMI	Federal medicaid	SSI	Special aged 72 benefits	Black lung	Combined
1960	8.8				[1]1.1			9.9
1965	13.5				[1]1.3			14.8
1970	22.5	5.2	2.0	1.5	[1]1.2	0.3	0.1	32.5
1975	46.5	10.3	3.8	2.9	1.8	.2	.6	65.4
1977	58.5	14.3	5.5	4.1	1.8	.2	.7	84.0
1978	64.7	16.7	6.5	4.8	1.7	.1	.7	94.3
1979	71.7	19.4	7.6	5.6	1.7	.1	.7	105.9
1980	78.6	22.4	8.8	6.4	1.7	.1	.8	117.8
1981	85.7	25.6	10.1	7.4	1.6	.1	.8	130.4
1982	93.2	29.1	11.7	8.4	1.6	.1	.8	143.9
1983	100.6	32.8	13.4	9.5	1.6	.1	.8	157.9
1984	108.7	37.0	15.3	10.8	1.5		.9	173.4
1985	117.3	41.5	17.4	12.1	1.5		.9	189.8
1990	162.8	70.7	31.6	21.1	1.3		.9	287.4
1995	225.3	115.0	51.2	34.3	1.3		.8	[illegible]
2000	303.3	177.7	71.3	51.4	1.2		.8	[illegible]
2005	410.7	255.8	103.7	74.2	.9		.8	[illegible]
2010	587.4	368.4	150.9	107.1	.9		.7	[illegible]
2015	887.6	530.5	219.4	154.7	.9		.7	1,793.1
2020	1,360.1	763.9	319.0	223.4	.9		.7	2,667.3
2025	2,058.4	1,100.0	464.0	322.6	.9		.6	3,945.9

[1] For years 1960–70 payments in SSI column represent those made under Older Americans Act program.

TABLE 5.—GOVERNMENT PAYMENTS MADE ON BEHALF OF PERSONS AGE 65 AND OVER

[In billions of 1978 dollars]

Calendar year	OASDI	HI	SMI	Federal medicaid	SSI	Special aged 72 benefits	Black lung	Combined
1960	18.7	......	......	......	[1]2.4	......	......	21.1
1965	27.2	......	......	......	[1]2.7	......	......	29.9
1970	36.8	8.6	3.3	2.5	[1]2.0	0.6	0.2	53.2
1975	55.0	12.2	4.5	3.4	2.1	.4	.7	7.62
1977	61.6	15.0	5.8	4.3	1.8	.2	.7	88.5
1978	64.7	16.7	6.5	4.8	1.7	.1	.7	94.4
1979	68.1	18.4	7.2	5.3	1.6	.1	.7	100.6
1980	71.3	20.3	8.0	5.8	1.5	.1	.7	106.9
1981	74.7	22.3	8.8	6.4	1.4	.1	.7	113.2
1982	78.1	24.4	9.8	7.0	1.3	.1	.8	120.7
1983	81.1	26.5	10.8	7.7	1.2	.1	.6	127.3
1984	84.2	28.7	11.9	8.4	1.2	......	.7	134.4
1985	87.3	30.9	12.9	9.0	1.1	......	.7	141.2
1990	99.6	43.3	19.3	12.9	.8	......	.6	175.9
1995	113.4	57.9	25.8	17.3	.6	......	.4	215.0
2000	125.4	73.5	29.5	21.2	.5	......	.3	250.1
2005	139.6	87.0	35.3	25.2	.3	......	.3	287.4
2010	164.1	102.9	42.2	29.9	.3	......	.2	239.4
2015	203.8	121.8	50.4	35.5	.2	......	.2	411.7
2020	256.7	144.2	60.2	42.2	.2	......	.1	503.5
2025	319.3	170.7	72.0	50.0	.1	......	.1	612.1

[1] For years 1960-1970 payments in SSI column represent payments under Older Americans Act program.

TABLE 6.—GOVERNMENT PAYMENTS MADE ON BEHALF OF PERSONS AGE 65 AND OVER

[As Percent of GNP]

Calendar year	OASDI	HI	SMI	Federal medicaid	SSI	Special aged 72 benefits	Black lung	Combined
1960	1.74	......	......	......	[1]0.22	......	......	1.96
1965	1.96	......	......	......	[1].19	......	......	2.15
1970	2.29	0.53	0.20	0.15	[1].12	0.03	0.01	3.29
1975	3.04	.68	.25	.19	.12	.01	.04	4.28
1977	3.08	.75	.29	.21	.09	.01	.04	4.42
1978	3.05	.78	.30	.22	.08	......	.03	4.43
1979	3.04	.82	.32	.24	.07	......	.03	4.49
1980	3.03	.86	.34	.25	.06	......	.03	4.54
1981	3.06	.91	.36	.26	.06	......	.03	4.65
1982	3.10	.97	.39	.28	.05	......	.03	4.79
1983	3.11	1.02	.41	.30	.05	......	.02	4.89
1984	3.14	1.07	.44	.31	.04	......	.03	5.00
1985	3.17	1.12	.47	.33	.04	......	.02	5.13
1990	3.18	1.38	.62	.41	.03	......	.02	5.62
1995	3.20	1.64	.73	.49	.02	......	.01	6.08
2000	3.17	1.86	.75	.54	.01	......	.01	6.33
2005	3.16	1.97	.80	.57	.01	......	.01	6.51
2010	3.35	2.10	.86	.61	......	......	......	6.92
2015	3.81	2.28	.94	.66	......	......	......	7.69
2020	4.43	2.49	1.04	.73	......	......	......	8.69
2025	5.10	2.74	1.15	.80	......	......	......	9.78

[1] Under Older Americans Act program.

Question. Consumer prices increased 4.8 percent in 1976, 6.8 percent in 1977, and so far this year they are rising at a rate of 9.8 percent. In its analyses of future commitments for retirement income in this Nation, is HEW taking such inflationary pressures adequately into account?

Response. It is true that in recent years the rate of increase in the Consumer Price Index (CPI) has been well above the average annual rate of 4 percent per year that is assumed for purposes of long-range cost estimates for the social security program. While it is difficult to know what the future holds with respect to economic factors, we can make assumptions about the future course of the CPI based on current understanding of economic behavior.

The average annual rate of price increases of 4 percent per year that is used over the long range in the intermediate set of assumptions in the 1978 Trustees' Report is slightly higher than the actual average annual rate of increase over the last 30 years of 3.4 percent. It is assumed that the current high rate of increase in the CPI will gradually decline and will average out to about 4 percent after 1985. The 4-percent level was selected because the trend over the last 65 years indicates a tendency for the rate of increase in the CPI to increase slowly with time. The current outlook does not support a cessation or reversal of this tendency. At the same time, the high rates of increase in the CPI that we have experienced in recent years are not expected to continue over the long range.

The ultimate percentage increases in the average annual CPI of 3 percent under the more optimistic assumptions in the Trustee's Report (Alternative I) and 5 percent under the more pessimistic assumptions (Alternative III) were chosen to be 1 percentage point lower and higher, respectively, than the 4 percent used in Alternative II. It should be noted, though, that along with a 5-percent increase in the CPI, Alternative III also assumes that there would be a corresponding increase in covered wages of 6¼ percent per year, which would increase the income to the program.

As a result of the 1977 Social Security Amendments, the assumptions as to future increases in average wages and in the CPI have considerably less influence on the actuarial balance of the trust funds—and, therefore, on long-range financial commitments—than was previously the case. This is mainly because of the new method of benefit calculation which removes the double indexing of future benefits to both average wages and the CPI. Under the prior law, future benefit levels reflected increases in both prices and wages, and, as a result, program expenditures were highly sensitive to changes in either of these factors.

Question. What impact, if any, will raising the mandatory retirement age to 70 for many workers in the private sector have on the social security system?

Response. It is expected that some workers who were forced to retire because their employers had a mandatory retirement age below 70 (usually age 65) will continue to work. The 1978 Report of the Trustees of the Social Security Trust Funds assumes that increasing the mandatory retirement age to 70 will result in a long-range saving of 0.08 percent of taxable payroll.

Eventually the additional number of persons who will be working past age 65 would reach 150,000 to 200,000 because of the change in mandatory retirement age.

Question. Do you see any trends in our society now—such as the enactment of the 1978 Age Discrimination in Employment Act Amendments or the increase in the delayed retirement credits from 1 percent to 3 percent per year for persons who do not receive social security benefits because they work after age 65—to counter the drift toward earlier retirement?

Response. Possibly, although the evidence is not in yet. However, as mentioned in the response to question 7, because of the enactment of the 1978 Age Discrimination in Employment Act, in the future some workers will apply for social security benefits later than they otherwise would have, which is expected to result in a small long-range saving to the program.

Regarding the current situation, the sharp increase in the retirement rate of older men has occurred at a time when the size of the adult workforce has been expanding rapidly. Both the movement of women into the paid workforce and the sharp increase in the number of young workers born during the post-war baby boom have brought dramatic increases in the size of the active workforce in spite of the declining employment of older men.

With the supply of younger workers increasing rapidly, both workers and employers have seen their interests served by pension options that permit or encourage early retirement of older workers. In recent decades both private and public retirement policies have been altered so as to permit or even encourage the early retirement of older workers. Private pension plan initiatives in this area are significant. Mandatory retirement policies, which typically called for retirement at 65, have received a great deal of attention. Perhaps even more important in the private pension sector has been the liberalization of early pension options. Research has shown that early retirees under social security were far more likely to leave their jobs willingly when they had early pensions to combine with their reduced social security benefits.

Today practically all workers covered by pension plans have some type of early retirement provision in their plan. The qualifying conditions for early pensions have also been relaxed. In the past employer consent was usually required, but is rare today. The length of service and age requirements for early pensions have also been lowered, and the amounts by which early pensions are reduced (if at all) are typically less than the actuarial equivalent to take account of the longer period over which they are payable.

As the demographic picture changes and the supply of younger workers increases more slowly, both workers and employers may see their interests better served by employment policies that help to prolong the work life. Thus, in future years we may see a shift from the expansion of early pension options toward employment policies that help to prevent skill obsolescence and to make work settings more attractive to older workers. Such a shift could be an important factor in countering the continued trend toward earlier retirement.

Question. You will announce around the first of October what the 1979 inpatient hospital deductible charge will be for Medicare patients. What is the projection at this time? What, if anything, can be done to hold down or put a ceiling on this rapidly increasing charge, which is posing more of an onerous burden for millions of older Americans?

Response. As you know, the Secretary of HEW is required by law to review the hospital cost experience of Medicare beneficiaries each year and to adjust the inpatient hospital deductible amount according to a specific formula in the Social Security Act. Under the formula the inpatient hospital deductible amount for 1979 will be based on the rate of increase in hospital costs over the period from the start of the Medicare program through 1977. The inpatient hospital deductible will be increased to $160 for 1979, an increase of more than 11 percent over the $144 deductible amount now in effect.

Because the formula used to determine the deductible fully reflects the rate of increase in hospital costs (a rate which has increased much faster than the cost of living generally) the financial burden of the deductible on aged and disabled medicare beneficiaries who need hospital care has increased much faster than improvements in beneficiary incomes. I am convinced that the best way to reduce this burden on our medicaid population is through the enactment of legislation which will effectively deal with the spiraling costs of hospital care. In my view, implementation of a hospital cost containment program similar to the plan submitted to the Congress by President Carter 18 months ago is the only responsible way to reduce excessive annual increases in hospital costs and thereby to reduce the inpatient hospital deductible amount which medicare patients must pay.

Question. On page 7 of your testimony, you describe programs which pay out benefits to the elderly, including survivors and disability insurance. How much of total expenditures from these two programs goes to people over 65, when compared to total expenditures? Also, please give the totals paid for the other four programs.

Response. Based on fiscal year 1978 data, the following table presents the amount and proportion of benefits for persons 65 years and older under the various programs:

Program	Benefits for persons 65 years and older (in billions)	As a percent of total benefit dollars under program (in percent)
OASDI	$62.7	69.1
Old-age insurance [1]	49.1	49.1
Survivors insurance	[2] 13.5	58.7
Disability insurance	(3)	.3
SSI	1.7	35.3
Medicare	21.5	87.3
Medicaid	3.6	36.4
Black lung	.7	72.2

[1] Total benefit payments to retired workers and dependents include payments to retired workers aged 62-64 receiving reduced benefits and to dependents under age 65. Dependents under age 65 include spouses aged 62-64 receiving reduced benefits, children, and their mothers under age 62.

[2] Benefit payments to survivors aged 65 and over consist of payments to aged widows and aged dependent parents.

[3] Less than $50,000,000. The only persons aged 65 and over receiving benefit payments are spouses of workers under age 65.

Question. You have mentioned that the proportion of dependent children is likely to decline as our population "ages." You have projections for increased spending for the elderly. Do you have projections for spending for youth?

Response. Future spending for the young under the social security program is estimated to be an average 0.66 percent of taxable payroll. Future AFDC expenditures are projected only for 5 years thus precluding any meaningful comparison with the long-range projections supplied for spending on the aged.

Additional data related to the question of future spending for the young is included in a paper by Professors Robert Clark (North Carolina State University) and Joseph Spengler (Duke University) entitled: "Changing Demography and Dependency Costs: The Implications of New Dependency Ratios and Their Composition." Clark and Spengler provide data on Federal expenditures for health, education, and income maintenance programs, and State and local education expenses, and categorize them according to age group of dependent. Based on these data and assuming replacement level fertility and annual average immigration of 400,000, public dependency costs as a percent of the gross national product are expected to drop slightly for youths over the next 75 years (from 5.2 percent to 3.8 percent), while those for the elderly are expected to rise (from 4.7 percent to 7.3 percent).

The three attached tables provide projections for spending for the young and the elderly, and data on future OASDI child beneficiaries. Table 1, which is based on the Clark and Spengler data mentioned above, shows government expenditures for young dependents up to age 18 and for aged dependents age 65 and over for 1974 and future years. It should be noted that the largest part of dependency costs for children is met through private, rather than public means. Private expenditures are not taken into account in any of the data above or in Table 1.

Tables 2 and 3 show the projected increases in child OASI and DI beneficiaries, respectively, over the next 75 years under the three alternative sets of economic assumptions in the 1978 Annual Report of the Board of Trustees of the Federal OASDI Trust Funds.

TABLE 1.—DEPENDENCY COSTS FOR 1974 AND FUTURE YEARS[1]

[Dollars in billions]

	1974	1990	2000	2025	2050
Gross national product (GNP)[2]	$1,413.2	$2,279.7	$2,976.8	$5,576.6	$9,719.3
Expenditures on youths	$72.9	$95.6	$127.1	$216.7	$373.3
Percent GNP used to finance benefits to children (percent)	5.2	4.2	4.3	3.9	3.8
Expenditures on elderly	$67.0	$121.9	$157.1	$405.2	$708.3
Percent GNP used to finance benefits to elderly (percent)	4.7	5.3	5.3	7.3	7.3
Total dependency costs as percent of GNP (percent)	9.9	9.5	9.6	11.2	11.1

[1] This table is derived from Robert Clark and Joseph Spengler, "Changing Demography and Dependency Costs: The Implications of New Dependency Ratios and Their Composition," in "Income and Aging: Programs and Prospects for the Elderly," edited by Barbara Herzog, Human Science Press, New York, 1978, p. 76. Dependency costs are expressed as a percentage of GNP rather than of disposable personal income.

[2] Estimate of GNP based on Clark and Spengler's projections of disposable personal income (DPI) and assumption that DPI comprises 0.685 of full-employment GNP (in accordance with postwar experience).

TABLE 2.—OASI BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS UNDER ALTERNATIVES I, II, AND III, AS OF JUNE 30

[In thousands]

Calendar year	Retired workers and dependents			Survivors of deceased workers				Total
	Old age	Wives and husbands	Children	Mothers and fathers	Children	Widows and widowers	Parents	
Actual data:								
1970	13,066	2,561	535	514	2,673	3,151	29	22,619
1971	13,604	2,673	556	523	2,745	3,287	28	23,416
1972	14,811	2,706	578	536	2,847	3,433	27	24,308
1973	14,880	2,756	602	548	2,887	3,575	25	25,273
1974	15,589	2,806	619	565	2,908	3,706	24	26,217
1975	16,210	2,836	653	568	2,905	3,823	22	26,997
1976	16,789	2,867	674	576	2,876	3,838	21	27,741
1977	17,380	2,899	655	573	2,859	4,042	19	38,427
Alternative I:								
1980	19,293	3,054	708	595	2,791	4,440	15	30,896
1985	22,104	3,106	751	636	2,597	4,970	10	34,174
1990	25,008	3,170	505	527	2,439	4,203	7	35,859
1995	26,664	3,114	363	606	2,557	4,103	7	37,414
2000	27,549	3,040	379	662	2,749	4,043	7	38,429
2005	29,004	2,920	431	679	2,850	3,851	7	39,742
2010	32,109	2,975	521	676	2,875	3,800	7	42,963

TABLE 2.—OASI BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS UNDER ALTERNATIVES I, II, AND III, AS OF JUNE 30—Continued

[In thousands]

Calendar year	Retired workers and dependents			Survivors of deceased workers				
	Old age	Wives and husbands	Children	Mothers and fathers	Children	Widows and widowers	Parents	Total
Alternative I—Continued								
2015	37, 056	3, 080	639	678	2, 899	3, 602	7	47, 961
2020	43, 088	3, 203	760	687	2, 986	3, 417	7	54, 148
2025	49, 022	3, 274	843	697	3, 105	3, 280	7	60, 228
2030	52, 828	3, 154	844	707	3, 200	3, 200	7	63, 940
2035	54, 168	3, 058	807	720	3, 269	3, 118	7	65, 147
2040	53, 717	2, 854	768	744	3, 326	2, 971	7	64, 387
2045	53, 581	2, 825	777	773	3, 422	2, 837	7	64, 222
2050	54, 808	2, 972	829	795	3, 535	2, 676	7	65, 622
2055	56, 674	3, 183	875	812	3, 642	2, 660	7	67, 853
Alternative II:								
1980	19, 296	3, 054	708	595	2, 791	4, 440	15	30, 899
1985	22, 119	3, 108	750	636	2, 593	4, 970	10	34, 186
1990	25, 024	3, 172	506	525	2, 414	4, 203	7	35, 851
1995	26, 682	3, 115	364	595	2, 486	4, 103	7	37, 352
2000	27, 569	3, 043	380	640	2, 613	4, 043	7	38, 295
2005	29, 029	2, 919	412	651	2, 656	3, 851	7	39, 525
2010	32, 139	2, 976	499	645	2, 641	3, 799	7	42, 706
2015	37, 090	3, 082	600	643	2, 626	3, 600	7	47, 648
2020	43, 127	3, 207	700	642	2, 660	3, 411	7	53, 754
2025	49, 063	3, 287	762	641	2, 718	3, 271	7	59, 749
2030	52, 867	3, 190	762	642	2, 755	3, 189	7	63, 412
2035	54, 203	3, 126	729	646	2, 771	3, 110	7	64, 592
2040	53, 750	2, 940	693	656	2, 776	2, 955	7	63, 777
2045	53, 458	2, 889	698	669	2, 813	2, 794	7	63, 328
2050	54, 155	2, 964	730	677	2, 860	2, 585	7	63, 978
2055	55, 187	3, 100	756	682	2, 902	2, 485	7	65, 119
Alternative III:								
1980	19, 344	3, 062	710	595	2, 790	4, 440	15	30, 956
1985	22, 134	3, 110	748	636	2, 585	4, 970	10	34, 193
1990	25, 041	3, 172	507	517	2, 358	4, 203	7	35, 805
1995	26, 697	3, 118	365	573	2, 345	4, 103	7	37, 208
2000	27, 587	3, 045	371	595	2, 342	4, 043	7	37, 990
2005	29, 052	2, 917	384	593	2, 271	3, 851	7	39, 075
2010	32, 168	2, 975	443	582	2, 180	3, 797	7	42, 152
2015	37, 129	3, 081	507	571	2, 100	3, 594	7	46, 989
2020	43, 172	3, 219	579	557	2, 055	3, 400	7	52, 989
2025	49, 108	3, 328	631	537	2, 015	3, 252	7	58, 878
2030	52, 907	3, 275	631	519	1, 963	3, 166	7	62, 468
2035	54, 242	3, 276	603	506	1, 908	3, 091	7	63, 633
2040	53, 786	3, 124	574	496	1, 852	2, 985	7	62, 824
2045	53, 181	3, 015	569	488	1, 812	2, 858	7	61, 930
2050	52, 809	2, 962	573	478	1, 778	2, 690	7	61, 297
2055	52, 167	2, 937	566	465	1, 743	2, 624	7	60, 509

Note: Alternatives I, II, and III and the 3 sets of economic and demographic assumptions used in the 1978 OASDI Trustees Report. Alternatives I and III may be respectively characterized as more "optimistic" and "pessimistic" than alternative II.

TABLE 3.—DI BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS UNDER ALTERNATIVES I, II, AND III, AS OF JUNE 30

[In thousands]

Calendar year	Workers	Wives and husbands	Children	Total
Actual data:				
1970	1, 436	271	861	2, 568
1971	1, 561	293	934	2, 788
1972	1, 737	327	1, 028	3, 092
1973	1, 925	364	1, 127	3, 416
1974	2, 098	391	1, 203	3, 692
1975	2, 363	429	1, 333	4, 125
1976	2, 602	468	1, 462	4, 532
1977	2, 755	482	1, 496	4, 733
Alternative I:				
1980	3, 248	535	1, 641	5, 424
1985	4, 031	578	1, 733	6, 342
1990	4, 696	732	1, 863	7, 291
1995	5, 458	844	1, 953	8, 255
2000	6, 413	965	2, 109	9, 487
2005	7, 457	1, 092	2, 362	10, 911
2010	8, 310	1, 192	2, 661	12, 163
2015	8, 777	1, 225	2, 929	12, 931
2020	8, 860	1, 234	3, 132	13, 226

TABLE 3.— DI BENEFICIARIES WITH MONTHLY BENEFITS IN CURRENT-PAYMENT STATUS UNDER ALTERNATIVES I, II, AND III, AS OF JUNE 30—Continued

[In thousands]

Calendar year	Workers	Wives and husbands	Children	Total
Alternative I—Continued				
2025	8, 612	1, 225	3, 175	13, 012
2030	8, 341	1, 207	3, 093	12, 641
2035	8, 407	1, 224	3, 097	12, 728
2040	8, 782	1, 263	3, 214	13, 259
2045	9, 252	1, 326	3, 405	13, 983
2050	9, 541	1, 368	3, 529	14, 438
2055	9, 68	1, 397	3, 591	14, 670
Alternative II:				
1980	3, 249	535	1, 641	5, 425
1985	4, 040	579	1, 737	6, 356
1990	4, 709	734	1, 868	7, 311
1995	5, 465	844	1, 935	8, 244
2000	6, 415	966	2, 058	9, 439
2005	7, 455	1, 086	2, 257	10, 798
2010	8, 299	1, 175	2, 492	11, 966
2015	8, 750	1, 203	2, 700	12, 653
2020	8, 811	1, 203	2, 829	12, 843
2025	8, 523	1, 188	2, 811	12, 522
2030	8, 190	1, 158	2, 692	12, 040
2035	8, 161	1, 159	2, 650	11, 970
2040	8, 390	1, 178	2, 708	12, 276
2045	8, 675	1, 209	2, 819	12, 703
2050	8, 792	1, 227	2, 873	12, 892
2055	8, 793	1, 237	2, 877	12, 907
Alternative III:				
1980	3, 273	535	1, 653	5, 461
1985	4, 049	580	1, 741	6, 370
1990	4, 725	735	1, 869	7, 329
1995	5, 468	845	1, 897	8, 210
2000	6, 415	965	1, 946	9, 326
2005	7, 447	1, 070	2, 043	10, 560
2010	8, 278	1, 142	2, 154	11, 574
2015	8, 702	1, 151	2, 234	12, 087
2020	8, 712	1, 140	2, 248	12, 100
2025	8, 347	1, 112	2, 139	11, 598
2030	7, 895	1, 065	1, 966	10, 926
2035	7, 677	1, 035	1, 866	10, 578
2040	7, 625	1, 009	1, 835	10, 469
2045	7, 551	990	1, 833	10, 374
2050	7, 350	966	1, 801	10, 117
2055	7, 107	946	1, 748	9, 801

Note: Alternatives I, II, and III are the 3 sets of economic and demographic assumptions used in the 1978 OASDI Trustees Report. Alternatives I and III may be respectively characterized as more "optimistic" and "pessimistic" than alternative II.

Question. In your testimony earlier this year on extending the Older Americans Act, you endorsed a White House Conference on Aging in 1981. In view of the very challenging statement you have made, do you think we should make special efforts to gather data and take other action steps to make this conference more than just a discussion about developing policy? Would it be wise to have working models in place of concepts to apply on a larger scale if the conferees and the Administration and the Congress thought them worthwhile? For example, in advance of the conference, could we not put in place, on a scale not yet achieved, a pilot of the long-term care system you so vividly described?

Response. Because the elderly are increasing both in absolute numbers, and as a proportion of the Nation's population, steps are being taken now to meet the wide range of needs which older persons in varying circumstances will confront in the future.

The Administration on Aging has launched a new initiative which, when fully implemented, will enable AoA to more adequately address the needs of the increasing numbers of older persons. The development of focal points in the community for the coordinated delivery of necessary services to the elderly is a major initiative within AoA. These services are designed to enable the elderly to remain in their own homes for as long as possible through the development of a comprehensive long-term services system at the community level.

This initiative is reflected in the fiscal year 1978 guidelines for research and demonstration projects funded by AoA. These projects will promote the development of comprehensive and coordinated community-based services with particular emphasis on services to sustain older persons in greatest economic or social need in their own homes or in the least restrictive setting. The issues to be addressed by researchers include: the factors which affect the selection of long-term alternatives of care for older persons; the effects of reimbursement methods on the supply and quality of community-based services for older persons; and the cost-benefits of alternative service modalities for older persons. Model projects will demonstrate ways to improve community care systems for older persons and to foster the mutual reinforcement of community and family supports in living and service arrangements for older persons. Increased emphasis will be placed on supporting special projects designed to meet the special needs of, and improve the delivery of service to, low income, minority, rural, and disabled older persons.

The problems of the chronically disabled aged are a major concern to the Department. Consequently, there will be a complete staff review, and a series of initiatives proposed over the next several months to better meet their needs utilizing existing available financial resources. The White House Conference to be held in 1981 will assess where we stand in this country on meeting the needs of Older Americans and to develop recommendations to improve the delivery of needed services and other opportunities.

The Health Care Financing Administration will be carrying on a series of demonstrations designed to assess the cost and effectiveness of alternative ways of meeting the long-term care needs of the aged.

Question. If our Nation decides to abolish poverty for older Americans, what would be the most effective way to approach this goal? For example, should the emphasis be on the supplemental security income, social security, a combination of these two programs, or some other approach?

Response. There are two conflicting needs that we face in any effort to abolish poverty—that of keeping future costs under control and of increasing benefits for people whose income is inadequate.

The earnings related social security programs should remain the Nation's primary means of providing economic security for older Americans. The system lends itself well to supplementation by private pensions, savings, and other individual and group efforts to provide economic security. We recognize that social insurance cannot provide an adequate income for those who have had little or no earnings during their working years. Thus, an effective means tested program to provide basic income for people with low income is a necessary third ingredient to meet any need for cash income that social security and private resources cannot provide.

The Advisory Council on Social Security that was appointed in February 1978 is currently studying all aspects of the social security program. The Council will be focusing on selected issues dealing with the role of social security in the future, including the issues raised by your questions. In addition, as you know, the Social Security Amendments of 1977 established a National Commission on Social Security, which will be jointly appointed by the President and the Congress, to make a broad-scale comprehensive study of the social security program. Along with the financial status of the social security program, coverage, and benefit adequacy, this Commission may study possible alternatives to current program, including integration of the current program with private retirement systems.

Further study of this sort will be carried out by the Presidential Commission on Pension Policy. Established under an Executive Order, the Commission will examine pension systems around the country in an effort to develop national policies for retirement, survivor, and disability programs that can serve as a guide for public and private programs. The Commission on Pension Policy will coordinate its work of the Advisory Council and the National Commission.

ITEM 3. LETTER AND ENCLOSURE FROM SENATOR FRANK CHURCH TO HAROLD L. SHEPPARD,[1] PH. D., DIRECTOR, CENTER ON WORK AND AGING, AMERICAN INSTITUTES FOR RESEARCH, WASHINGTON, D.C., DATED JULY 31, 1978

DEAR HAL: Once again, the Senate Committee on Aging owes you an expression of appreciation, not only for excellent testimony, but for your willingness to share your expertise and insights. Your statement last week gave us the exact focus we needed on several issues of major consequence.

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[1] See statement, p. 54.

I have enclosed several other questions on which you may wish to comment. I would like to have this additional material by September 5 for inclusion in our hearing record. If it is not possible to give final statements on any individual matter, I would be glad to have an interim response indicating when the additional information will become available.

With best wishes,

Sincerely,

FRANK CHURCH,
Chairman.

Enclosures.

QUESTIONS FOR DR. HAROLD SHEPPARD

(1) You caution against the "body count" method of arriving at a dependency ratio. Your book gives examples of factors, apparently modest, which could alter such ratios dramatically in varying combinations. Would you care to discuss some of them?

(2) Do you agree with those who say that increased costs for supporting an increasingly older population may be offset significantly by reductions in public expenditures for a decreasing proportion of younger persons?

(3) You did not have time in your testimony to discuss the growing number of women in the work force. Secretary Califano has spoken of the important role of the family in providing services to their elderly kin. But since women are probably the major deliverers of services to elderly family members, do you see a growing conflict of role here?

(4) The new employment and training report of the President, issued annually in response to a mandate of the 1973 CETA legislation, has a chapter this year on older workers. I personally am glad to see that this group of workers is receiving more attention from the Department of Labor and from HEW. At one point (p. 98) the report says that the senior community service employment program, funded through the Older Americans Act, offered part-time community service jobs to 37,400 economically disadvantaged persons aged 55 and over. New authorizations and appropriations are likely to raise that number significantly in the near future, but are you satisfied with the rate of increase in these excellent programs? In addition, middle-aged and older workers still have a disporportionately low representation in CETA. Where should the focus be: bigger and better title IX programs? A more receptive CETA? Or both, and more?

(5) You close your excellent statement by expressing the hope that HEW and the Department of Labor, along with the Congress and the private sector, take appropriate measures to develop expanded programs for mid-career development. What should be the division of labor between HEW and DOL? What should be the Congressional focus, and how can the private sector be made more aware of the growing need to retain and retrain the older worker?

(6) May we have your permission to make, as part of our hearing record, pp. III–X (Summary), pp. 105–120 (Part-Time Work, New Work-Time Arrangements, and Work Restructuring), pp. 121–140 (The Older Worker Woman), pp. 141–156 (Older Minority Group Workers), and pp. 157–160 (Older Workers in Rural Areas) from your report, "Research and Development Strategy on Employment-Related Problems of Older Workers"? These pages provide very useful and pertinent material which would effectively supplement your testimony.

ITEM 4. LETTER AND ENCLOSURE FROM DR. HAROLD L. SHEPPARD TO WILLIAM E. ORIOL, SENATE COMMITTEE ON AGING, DATED AUGUST 7, 1978

DEAR BILL: Enclosed are my answers to the questions Senator Church asked me to comment on in his letter of July 31. Also, further information on the "biomedical dimension" requested by Senator Domenici.

Sincerely,

HAROLD L. SHEPPARD.

Enclosure.

RESPONSE TO QUESTION 1

The "body count" approach of measuring the dependency ratio consist simply of dividing the number of persons outside of the "working age" population, arbitrarily defined (e.g., under 16 and over 64) by the number of persons in that "working age" population (16–64 years of age). But this statistical approach fails to consider factors that influence a more sensitive measurement of dependency. Some of these factors are:

(1) The number of persons actually working, and whether full-time, year-round, or part-time, regardless of age.

(2) The detailed composition of the nonworking population, especially the age composition of the older dependent segment.

(3) Trends, if any, in rates of early retirement.

(4) The costs of the working population of supporting the nonworking portion.

The major purpose of any dependency ratio is to determine the support burden on the working population. But the "body count" can be misleading. For example, it is possible to have a relatively unchanging ratio but for costs to decrease, or increase. The conventional ratio provides no indication of the cost factor. An unchanging ratio, over time, can also obscure the possibility of an "aging" of the older population which itself implies a heavier support cost. And this is what we are experiencing now—a growing proportion of the increasing 65-plus population consisting of persons 80 and older.

Finally, a dependency ratio ostensibly could increase, but the costs remain the same if, for example, the country's economic base (including sharply increased productivity) were to improve sufficiently to compensate for an increase dependency ratio.

RESPONSE TO QUESTION 2

There is no doubt that if high fertility rates prevailed over the next few decades, the total support costs would be much greater than they might be under current and expected conditions of low fertility. But this does not mean that the low fertility rates will be sufficient to offset, on a one-to-one basis, the growing costs of supporting the increasing retired older population. Furthermore, a smaller nonworking infant and youth population does not necessarily result in an arithmetically lower public expenditure per child. In addition to relatively fixed capital costs, such as for schools, it is possible that decisions would be made to spend more per child for other purposes than in the past. The total aggregate costs per child might be less, but not enough to offset, on a one-to-one basis, the rising costs of supporting the aged population.

RESPONSE TO QUESTION 3

This question applies more generally to the need to develop programs and policies in response to the rapidly growing proportion of persons in late adulthood (say, 60–64) with parents and older relatives still alive (e.g., 80 and older). As I pointed out in my testimony, this proportion is increasing by leaps and bounds—from 46 percent in 1970, 63 percent by 1990, and 79 percent by 2000, based on current data on population projections.

Even today, we run across women in their young sixties concerned about what role to play in relationship to the needs of their parents and older relatives. Should they continue to work for their own reasons, and for helping to pay for some of the support of their older relatives? Can they afford to stop working in order to provide some or all services to those relatives?

These comments and questions are primarily speculative on may part, but the main point is that I have not seen any overt recognition of the trends I've described above. It is plausible to believe that the rising labor force participation rate of women will put a strain on their capacity and resources (including time resources) for providing direct care for their older family members. It might possibly reduce the supply of nonworking women available for such services to those members. In that event, the need for a system of paid services, of wage and salary workers to provide those services—outside of the informal family network—may be greater over the next several years than is now the case.

Finally, we must also recognize that a very large proportion of the "very old"—much greater than as of now—will have no or few children as potential service providers on an unpaid, informal basis. And, if an increasing proportion of women in their late 50's and early 60's are in the future labor force, this means fewer of them available to provide direct services for their older relatives. Assuming that women become much more attached to the labor force (for economic and psychological reasons) than they are now, we may witness a growing "role conflict" among them. I also assume, in describing such a scenario, that women, much more than men, will be expected to be the providers of the bulk of services required by the elderly. But this, too, might undergo change.

RESPONSE TO QUESTION 4

I certainly agree that an increase in the number of Title IX participants is important. At the same time, I am concerned that more equitable opportunities for participation in the larger programs of CETA be opened to persons 55 and older. As long as there is an apparent "differential treatment" of older jobseekers in our communities and economy, we will continue to need earmarked programs such as the Title IX program. But this does not preclude some Congressional mandate to provide more opportunities in the other titles of CETA, including public service programs. More liberal eligibility standards might also be applied, such as allowing the poverty criterion to be extended to 125 percent of the formal poverty income cut-off point.

A more critical question, as far as the long-term future is concerned, is: Will we continue to sustain a pattern wherein older workers seem to be "flaked off" during times of economic downturn, or are retired early, only to be forced out of economic necessity to join a quasi-marginal workforce? Once in this position, government then finds it necessary to create such programs as those made possible by Title IX, and other temporary public service job programs. We don't know too much about the previous employment experiences of participants in such programs, but I feel sure that a large portion of them had been victims of a lack of mid-career training and job redesign programs, during economic downturns This, in turn, brings me to your next question.

RESPONSE TO QUESTION 5

Mid-career development obviously cuts across departmental boundaries, and perhaps it should even include the participation of the Department of Commerce because of its relationships with private employers. Our educational institutions, still within the scope of HEW, and the employment and training activities of the Department of Labor, should develop, for example, some consortia dedicated to the stimulation and expansion of mid-career development activities among employers—first of all, for their current middle-age workers. Much of this thrust would require greater outreach programs, instead of merely using a passive approach in recruitment of participants. Congress might consider a range of incentives to employers to expand or create such programs, perhaps with a higher emphasis on selective industries, depending on the age profile of their current work forces.

RESPONSE TO QUESTION 6

There is no need to obtain my permission to reprint parts of my report [1] for the Department of Labor. It is public property, and I am very pleased that the Committee believes the material in the report can be useful.

Senator Domenici also requested further information on the "biomedical dimension."

The new developments in the biomedical sphere are perhaps the new and as yet unrecognized factor adding to the "senior boom" in this country. Until recently, it would be safer to say that the increased size of the aged population was the result of higher fertility rates in the past, rather than of any increased longevity (relatively speaking). But certainly since 1970 and through 1975—the latest year for which data are available from the National Center for Health Statistics—life expectancy for older Americans has increased at a rate far greater than for the previous 10 years. This change is a reflection of lower mortality rates for older Americans. For example, among men 65–69, death rates per 100,000 from 1960 to 1965, and from 1965 to 1970, were virtually the same. But from 1970 to 1975, the death rate for this same age group declined by more than 11 percent.

What this means, therefore, is that men 65–69 in recent years have a far greater chance of surviving to be 70 or more than previous cohorts of the same age. The increased numbers of men 70 and older, or 80 and older, are therefore a result of improved biomedical conditions, as well as a result of higher fertility rates around the turn of the 20th century.

The accompanying table shows the rate of change in age-adjusted death rates for the 65-plus population over these three 5-year periods, for males and females.

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[1] See Item 5, p. 87.

RATES OF CHANGE IN AGE-ADJUSTED DEATH RATES FOR THE 65-PLUS POPULATION, 1960-65, 1965-70, AND 1970-75

[In percent]

	1960-65	1965-70	1970-75
Males	+0.5	−3.4	−7.2
Females	−5.2	−8.1	−11.1

Based on data from National Center for Health Statistics.

In brief, this tables shows that for men, there was little, if any progress in reducing mortality rates in the 1960–70 decade, but that over the next 5 years, a rather sharp decline. The same is true for men 55–64 not shown in the table. For women, there has been a steady and increasing rate of decline in death rates for each of the separate age groups in the 65-plus population, to such an extent that the 1970–75 period witnessed a decline rate more than twice that for the 1960–65 period.

These developments, to repeat, mean a greater life expectancy for the aged population, and thus an increase in that population greater than had been previously expected by most experts.

One major explanation of the decline has to do with the progress being made in the fight against diseases of the heart. From 1970 to 1975, death rates for this cause declined from 1,558 to 1,324 (per 100,000) for men and women 65–74 years old. From 1965 to 1970, the death rate for the same cause declined only slightly—from 1,698 to 1,558.

As Dr. Rix and I have pointed out in our book on "The Graying of Working America," much of the decline in this and other death-causing diseases are no doubt due to greater health-consciousness in the population, better nutrition, exercise, and new medical technology. It is our view that even greater strides will be taken against "premature" death when the research results of physiologists and chemists come to be applied to much of the general population. This, too, will mean an increase in the number of adults living to be 75 or 80 and older, thus adding to the "senior boom" now underway.

ITEM 5. EXCERPTS OF REPORT ENTITLED "RESEARCH AND DEVELOPMENT STRATEGY ON EMPLOYMENT-RELATED PROBLEMS OF OLDER WORKERS," BY DR. HAROLD SHEPPARD[1]

VI. PART-TIME WORK, NEW WORK-TIME ARRANGEMENTS, AND WORK RESTRUCTURING

Each of these concepts has general applicability to the total working or working-age population. Older workers are no exception, and in the opinion of a variety of experts and organizations, may constitute a special target group for the concrete types of work suggested by those concepts.

In this connection, it cannot be stressed too much that survey research on the retirement decisions and intentions of middle-aged and older workers rarely poses a choice of options to the survey respondents. They are asked, instead, questions of an either-or character regarding employment: full-time work *or* full-time non-work—nothing in-between. The failure to use an alternative approach results in little useful knowledge regarding (1) the potential labor supply for voluntary part-time work; (2) for occasional, on-and-off employment; or (3) the "market" for a policy of tapered, or gradual retirement. (The latter is a variant of part-time work; it might just as well be conceptualized as part-time *retirement*).

In one study designed to overcome this limitation, Jacobsohn (1970) found that British factory workers nearing retirement age gave *different* responses, depending on the kind of question asked. When asked the either-or type, 55 percent preferred complete retirement. But when offered *choice*, only 21 percent chose such complete withdrawal from work.

The proportion citing a preference for continued *full*-time work fell from 44 percent (when asked the either-or question) to only 15 percent when the question was re-phrased to include part-time, or occasional work. More than three-fifths of them, it turned out, preferred part-time or occasional employment. Altogether, then, only 21 percent—not 55 percent—preferred total withdrawal from the work force.

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[1] See statement, p. 54.

Research using a similar approach among American workers—by type of occupation and industry, age, sex, race, and other characteristics—is lacking, and information on the empirical dimensions of the issues involved should be valuable to employers and government, not to mention the individual pre-retiree who may be otherwise forced to think in either-or terms regarding employment in the later years.

On the other hand, the advantages of part-time employment—on a voluntary basis—may be more obvious to the middle-aged and older worker than they are for the organization or employer. There is little in the way of research-findings consensus on the latter. Indeed, little, if any, of the research on the topic of part-time employment focuses on age differences *vis a vis* advantages to the employee or employer. One study (which makes no reference to age) did find—through personal interviews and mail questionnaires among users and non-users of permanent part-time employees—that: (1) little net positive effect on the economic side (from the standpoint of managerial measures of performance); (2) few types of technologies affected these ratings; (3) the vast majority of such jobs consisted of those with discrete (and primarily repetitive) job tasks, and with cyclical demands for output; and (4) part-time jobs apparently are more acceptable to non-traditional, change-oriented managers, and in organizations with more informal "organizational climate."

More in-depth, organizational *case studies* might be necessary to gain further practical insights into how these and related dimensions of the employers of different age groups voluntary part-time workers on a permanent basis might differ between and amongst each other.

As part of the need to assess the market for *voluntary* part-time employment, a first step should consist of sophisticated analysis of the distribution of voluntary part-time employment by industry and occupation, with special attention on the former as a starting point. In 1976, for example, voluntary part-time employment was disproportionately over-represented in wholesale and retail trade (growing since 1966); and finance and other services. Unfortunately, Department of Labor statistics report no information by age in each industry (see Erenburg, 1970).

From 1966 to 1976, the *total* number of persons working part-time on a voluntary part-time basis increased by 41 percent. But the rate of increase in the case of the 45-plus group was much lower, only 25 percent. This fact, plus the additional one—that total numbers employed on a *full-time* basis increased very little (in the case of the 45–64 group) and actually *decreased* in the 65-plus in the same ten-year period—raises the question of whether efforts must be increased to expand opportunities for voluntary part-time employment for older persons, if it is an agreed-upon policy that such employment is one of the positive solutions to certain problems of older workers.

The facts indicate that "opportunities" for such employment increased at a greater rate than opportunities for full-time employment, even omitting the 65-plus. From 1966 to 1976, full-time jobs for the 45–64 group expanded by only 2.6 percent, compared to a 26 percent expansion of voluntary part-time jobs in the same age group.

This type of discussion should also bear in mind that between 1966 and 1976, the number of persons 45–64 who usually worked full-time, but were working part-time because of economic reasons (because of slack work, and inability to find full-time jobs), increased by 39 percent. That rate of increase should be compared with the mere 2.6 percent increase in full-time employment during the same period.

These statistics (taken from the 1977 Employment and Training Report) tell us nothing as to the reasons for lower rates of increase in voluntary part-time employment for the older age groups (compared to younger ages); and for the greater increases in such part-time employment than in full-time employment for the 45–64 group. Nor do they give us any clues as to whether the latter phenomenon is a socially desirable goal or policy to pursue (despite the label of "voluntary").

How many of the so-called voluntarily part-time employed older persons would accept a full-time if offered one? Under what conditions, etc.?

All of these questions require pin-pointed research inquiries and policy discussions which, to our knowledge, are missing in the current scene.

Other specific research questions stimulated by these data, and which should have program and policy implications, include the following:

In which industries, and areas, have there been the least and most increase in part-time employment—and by category (voluntary and involuntary)?

What are the trends (keeping the above in consideration) for males vs. females; whites vs. minority groups?

How do the differences in rates of change in opportunities for full-time vs. less than full-time (especially on an involuntary basis) affect the "discouragement" process?

Any research and program focus on part-time work should, however, conceptualize such work as only one type of pattern, or option, available to older workers (in this case, say, 50 and older)—ranging from:

(1) Continued full-time employment in same occupation with same employer.

(2) Continued full-time employment but with same or different employer, but in different occupation.

(3) Part-time employment with same employer, same occupation.

(4) Part-time, with same or different employer, but in different occupation.

(5) Voluntarily intermittent employment.

"Part-time" itself as a term can be misleading, since it encompasses a broad spectrum of number of hours and/or days per week. Furthermore, at a certain point in the worklife cycle, individual workers may choose, or be encouraged to choose (depending on a number of conditions), a *gradual* tapering down of total working hours, or days per week—or even weeks per year.

Research in this area would require an identification of factors and conditions that are associated with different patterns of work-time distribution on the part of older workers (with due recognition of the heterogeneous composition of that population), by occupational groupings, family situation, etc.

Equally important, of course, is the extent to which employing organizations—both public and private—can actually function with such work-time patterns, the conditions under which such organizations can be induced to initiate such personnel practices; the role of unions in facilitating or hindering the introduction of such patterns, etc.

Also, it is not clear how much of the desire for part-time work on the part of older workers is unmet because of their lack of job market information regarding the availability of such employment in different organizations. This topic should not be separated from an additional one, namely, the degree to which various forms of part-time employment, as an alternative to full withdrawal from the labor force, are known to older workers—or to *employers* whose "cake of custom" blinds them to the use of part-time employees even when this might be of advantage to them (e.g., in times of high demand for labor).

Apart from the obvious research efforts that can be carried out on these topics, it may be more fruitful to conduct experimental and demonstration programs designed, for example, to improve the match between older workers seeking various forms of part-time employment and employers seeking such persons—or who could be persuaded to hire them.

Finally, there is, at the present time, no comprehensive picture, based on empirical research, of:

(1) The distribution of and trends in work-time patterns by age, industry, and occupation;

(2) Worker and employer evaluations of these patterns;

(3) Projections of employee and employer demand for such types of work-time distribution; and

(4) Cost-benefit analyses of these types.

Juanita Kreps (1971), in commenting on needed research on the general topic of work-time options for older workers, stresses the point that:

"[It] would be useful to business organizations, public employers, and union officials in determining whether their employees and constituents would prefer a second career or early retirement, should such options be available. *In the absence of such evidence on desired work-leisure patterns, the free time generated by economic growth will be used in ways not necessarily compatible with preferences. It is also difficult to predict the degree to which firms could accommodate to worker preference without some evaluation of the institutional constraints operating against career flexibility.*" (emphasis added)

In addition to the position that holds that older workers should be treated the same as any other age group when it comes to the right to engage in all types of occupational employment and on a fulltime basis, we need also to recognize that many older workers—especially those in the upper age groups (say, 65–74)—seek only part-time or intermittent full-time work.

The research need here is to determine (1) the size of such a population; (2) the types of work they are already capable of performing (without any extensive or intensive training); and (3) the "market" for such voluntarily less-than-full-time paid activity (the demand side).

None of this implies that there is or should be such a thing as part-time types of employment for "older workers only," although many programs or program proposals may tend to adhere to such a doctrine.

Furthermore, on the experimental and demonstration side, pilot efforts might be designed and carried out to *expand* on the types of jobs that could be performed on a part-time basis, for (1) a *variety* of jobseekers (again on a voluntary basis)—including older workers—and (2) for older workers *only*. This would first require a survey of employers in given local areas to determine the possibility, or feasibility of creating such positions (or locating them, if already existing but not filled), and the numbers and types involved; second, an active job development effort coupled with an orientation and recruitment activity.

Some of these jobs might be traditionally viewed as full-time jobs, but could be the source of *work-sharing* design. Needless to say, such an E&D suggestion would also entail an examination of the legal and institutional barriers to its effective implementation; and how, if at all, other, previous similar efforts overcame such barriers.

In addition to, and perhaps as a prelude to this type of E&D project, research might be needed on previous and current programs to provide part-time and intermittent jobs to older workers, with a focus on:

Types of jobs; and industries.

Types of older workers.

Degree to which nature of the local community and the local labor market affects the prospects for part-time employment activity.

Previous experience with regard to barriers; recruitment of interest among employers and older workers themselves.

Costs to the employer.

Degree to which such employment facilitates the "adjustment" to full-time retirement.

Research on the topic of part-time employment should also concentrate on some specific issues including the following:

(1) What proportion is truly voluntary?

(2) What is the "universe of need" for such voluntary part-time employment—by specific subgroups of older persons (type of area; previous occupation; current total income; race-sex differences, etc.)?

(3) What is the current and potential structure of opportunities for such employment, according to industry?

(4) What are the obstacles and facilitators affect that opportunity structure (e.g., government, company, and union rules and customs)?

(5) What are the trade-offs involved, as far as effects on other groups' employment status is concerned?

(6) What effect does such employment have on such programs as transfer payment systems? On community services?

(7) To what extent would the already-retired (and who among them) take advantage of such opportunities for part-time work?

On each of these items, and related ones, experimental and demonstration projects might be expanded or developed, in order to obtain answers to the questions, and to determine what other effects are found, of an unexpected nature; and how obstacles were overcome, or facilitators were improved.

If voluntary part-time employment is to be accepted as a positive public policy, it would then seem appropriate for the federal government at least to serve as a model.

A report by the General Accounting Office (1976) on part-time employment in federal agencies spelled out the advantages and disadvantages cited by federal agency managers on the use of part-time employees. It refers to the age distribution of the total numbers involved in 21 agencies, but nothing on the constraints, advantages and disadvantages according to age. Nearly 28 percent of the overall numbers (105,000) were 41 and older; 40 percent, under 25.

For government agencies at the Federal, state, and local levels—as well as for private industries employing persons in similar occupations (typically white-collar)—it may be valuable to ascertain whether the following examples of advantages and disadvantages also apply to older groups:

Advantages

Greater access to a "pool of talent" not needed or available on a full-time basis.

Greater agency flexibility in meeting temporary demand during seasonal workload peaks.

Greater productivity (reported only from some agencies) than by full-time employees.

A new and valuable source for eventually full-time personnel.

Disadvantages

Excess training and administrative costs.
Problems of work-time accommodation.
Lack of job continuity and completion.
High turnover.
Poor morale among part-timers because of fewer, or no, fringe benefits.

In addition to research into the applicability of these and other advantages and disadvantages regarding the use of older persons as part-time employees, similar efforts should be directed—of a research *and* demonstration nature—toward other levels of government, and in the private sector.

But is part-time employment worth pursuing as a national goal or policy? Furthermore,

(1) Does such employment patterns suggest that it is a sign that the mainstream of the labor force is moving towards a general pattern of reduced working hours?

(2) If the country were to adopt an opposite policy, namely, a *restriction* on the number of part-time jobs, would that policy increase *full*-time opportunities—and for which groups in the population, if at all?

(3) Do employers—and in which industries—respond to major changes in age in such a way as to influence the demand for persons available for less than full-time employment? That is, does the "supply" of such persons increase the demand for part-time employment?

(4) To what extent, can part-time employment serve (and under what conditions) as a *transition* for various adult and older groups to *full*-time retirement?

This discussion so far, and the research and policy questions raised, have dealt primarily with the topic of part-time employment from the standpoints of the individual and the employer. What about the "total economy" side? We can only answer this important question with questions.

For example, do such employment patterns affect opportunities, and to what extent, for full-time employment (and with fringe benefits, etc., not typically associated with part-time employment)? In which particular sectors of the economy?

Without such employment, would there be a deterioration in the numbers and kinds of *services* desired and required by the community and consumers?

These and similar questions have been treated at length recently by Owen (1976), but the study does not include attention to the age factor.

Work sharing, flexi-time (on less than a full-week basis), and similar concepts should be considered as variants of the basic part-time employment topic, and the issues, research and demonstration prospects—as far as older workers are concerned—should not be too different, if at all. (State of Wisconsin, 1977; Glickman and Brown, 1974; Evans, 1973; Baum and Young; 1974, Kimzey and Prince, 1974). However, few, if any, of the many reports and research studies include considerations of the age factor.

Tapered, or "part-time" retirement, also is another variant (the other side of the coin), but because of its special character, warrants more attention in this report. It is discussed in other sections of this report.

These separate topics can be conceptualized as specific examples and facets of a more general, perhaps more basic, approach concentrating on the *lifelong allocation of time*—or the lifetime distribution of work, leisure, and education. That approach highlights the issue of how society and economies "decide" on who shall (and when they shall) learn, work, and not work over the total lifespan, and the value of redistributing, intermittently, each of these activities over that lifespan (Sheppard, 1977; Best and Stern, 1976; Chalendar, 1976; Wirtz, 1975; Kreps, 1971).

It may be too soon for the Department of Labor to devote its research and demonstration resources to this intriguing subject which is issue-laden. For the immediate future, however, the sub-topic of *mid-career change and development* cannot be ignored now. That dimension of the lifespan approach is treated in a separate section of this report.

Work and work environment restructuring. Separate and distinct from the topic and issue of time-allocation of work, is another category of alternative work patterns, generally found in research and policy discussions about job satisfaction, job redesign, job enrichment and "quality of work," etc. In recent years, this topic has reached a stage virtually of a movement in various circles, in many countries.

One of the ways in which it bears upon the job-related problems of middle-aged and older workers is with respect to the retirement phenomenon. Jacobsohn (1972) found that workers' acceptance of their companies' retirement age was clearly related to the level of job strain, and of worker autonomy in job performance (e.g., machine-paced vs. bench work). Sheppard, in his simple cross-classification analysis of NLS data (1976), found that level of 1966 job satisfaction predicted for early retirement rates, but only among *unhealthy whites*, with no analysis by age. The fact that no relationship prevailed in the case of unhealthy blacks raises the issue as to whether these men are in any economic position—despite their poor health—to leave the labor market if dissatisfied with their jobs.

However, Andrisani (1976) found, through a more sophisticated analysis of the same data, that for both whites and blacks (regardless of health status) early retirement was a function of job dissatisfaction.

What may be one of the most interesting research and policy changes is the fact that while the economic rewards of the NLS sample of middle-age and older men increased, on the average, over the 1966–71 period, *job satisfaction* actually declined in this same period. While the latter has been found to be generally associated positively with income level—in *cross-sectional* research—this does not automatically mean that the components and roots of job satisfaction are exclusively economic in nature (Sheppard, 1976). Because of this, improvements over time in economic status (as measured by real income changes) are not necessarily accompanied by improvements in satisfaction with other dimensions of a person's work life and its environment.

The analysis of quality of task levels among white male blue collar workers—i.e., degree of variety, autonomy, and responsibility—by Sheppard (1972) found that the lower the task-quality level, holding age constant, the greater the proposition of such workers indicating that if assured of adequate income, they would retire immediately. More important, UAW data for 1972–73 indicate that among workers eligible for "30-and-out" retirement, actual retirement rates varied according to skill-level: the higher the skill, the lower the rate.

The analysis of the Survey of Working Conditions survey by Quinn showed that *low autonomy* was associated with early retirement—for *men* but not women. Why should this be? Does it mean that work itself—at least in the past and contemporary scenes—is of a greater central life focus for men, that men are so much identified with their jobs that negative features are more salient to them? Will this *change*, as women become more regularly attached to the labor force over a greater portion of their lives?

Andrisani's multi-variate analysis (1976) of the NLS data (for all age-sex-race sub-samples) found that:

(1) Regardless of the state of the economy, dissatisfied middle-aged males were more likely than the satisfied ones to change jobs voluntarily.

(2) Black middle-aged males—but not whites—who were dissatisfied with their jobs *and* who changed voluntarily made higher advances (in terms of job status and earnings) in subsequent years.

(3) With the exception of blacks, job satisfaction among the middle-aged *declined*, from 1966 to 1972.

The *reasons* for these relationships and trends should provide some basic policy guidelines for approaching the qualitative dimension of job-related problems of middle-aged and older workers.

The decline in job satisfaction among the *non*-changers in the NLS sample is a case in point. Policy thinking regarding labor turnover and mobility—which are partly a function of level of job satisfaction—is characterized by contradictory values. On the one hand, there is a concern about turnover as a cost item—especially at the organizational level. On the other hand, there is also a great emphasis on the virtues of mobility for the sake of a highly rational and fruitful functioning of the economy. If job satisfaction among job-*stayers* does decline—even among middle-aged and older workers who conventionally are deemed as having become "satisfied" over time—this might lead to various kinds of diseconomies and costs to the firm, and thus indirectly to the total economy.

Finally, there is a more intriguing dimension of the various efforts for improving the quality of work life. If it is correct that job attitudes, and early retirement (coupled with quality of job performance itself), are in part a function of such criteria as degree of task autonomy, what is happening in the many organizations—in both the private and public sectors—now experimenting with, or institutionalizing, such notions as job redesign, job enrichment, autonomous work groups, etc?

For example, to the degree that such notions have been put into actual practice—on a pilot or regularized basis—is there a change in early retirement intentions? In actual retirement rates? How do these measures in such situations compare with findings in workplaces producing the same product or service but which have *not* introduced similar practices?

The time is ripe for research on these questions which may be of import to workers, organizations, and the economy.

Job redesign has, over the years, been recommended as one of the solutions to selected problems of older workers, usually in response to presumed physical and mental changes associated with advancing age, as a way of coping with their inability to maintain performance in their *regular* jobs. Such a notion consists of changing those regular jobs in such a way as to make the jobs match the working capacity of workers growing older—as opposed to *transferring* them to "easier" jobs (frequently resulting in lower pay and loss of status). (OECD, 1966). This particular meaning of job redesign, however, is *not* the same as that intended by other researchers and consultants using the same term (e.g., Davis and Taylor, 1973).

According to a Department of Labor report (1967), few of the 1,000 largest American industrial corporations have specifically redesigned jobs for older workers for purposes of matching the job to the presumed decline in older worker performance. There is no compelling reason to think that much has changed in this regard in recent years (although the "quality of work life" projects may coincidentally include older persons). Corporations generally have tended to exercise two options—*transfer* older workers to less physically demanding jobs under the presumption older workers could not continue in their present jobs, or persuade older workers to retire early.

Instead of resorting to either of these courses of action, corporations could benefit from job redesign based on task analysis by creating new jobs that tap the skills and experience of older workers, and *reduce* the odds for increased job dissatisfaction. Such efforts might be encouraged by Departmental experimental and demonstration programs.

Whether or not an older worker will like a job is no more important than whether or not he or she can do a job. An experimental program may involve the creation of new jobs by new combinations of tasks in a given industry.

Does combining so many demanding tasks together make a job "undoable" or stressful?

Does combining *many* low level tasks together make for a high error rate due to boredom?

Does the "right" combination of tasks ("right" from the standpoint of job enrichment proponents) make a positive difference for *all* age groups?

It is recommended that tasks that make up several jobs be considered in the experimental effort to allow latitude for innovative new job-quality creation. Results from such a study could be considered in relationship to other experimental job redesigns such as re-clustering of tasks from a single existing job into "higher" and "lower" task-quality groupings.

No easy predictions—and no comforting prescriptions—should be made on the potential outcomes of improving the quality of worklife (as defined from the standpoint of experts on the subject) on the job behavior and retirement decisions among older workers. In the first place, there is no such animal as *the* "older worker," as we have tried to make clear throughout this report (and despite our own frequent violations of that percept): there are *varieties*. The response to changing the nature of job tasks will be influenced by the nature of the individual older worker—and of younger ones whose retirement desires also may be affected by the nature of the job.

Experts on the topic of work values and personality types *vis a vis* quality of work (Yankelovich, 1972, for example) suggest that the *young* workers of today—the older workers of tomorrow—will tolerate less the low task quality of many job assignments; that many, if not most of them—but to a greater extent than in the case of today's older workers—will require job tasks of a higher quality to keep them productive, in the future.

Furthermore, the *way* in which such changes are introduced play a role in worker reaction. Pollman and Johnson (1974), for example found that retirement decisions among auto workers were partly affected by job changes *not* initiated by the workers themselves. It is not clear from their study, however, which of the jobs the workers were transferred to were, if at all, of a more positive task-level quality.

The critical questions stemming from that research and from the general theory (and expectation) concerning the virtues of job redesign, job enrichment, and other forms of work-quality improvement involve the extent to which changes in those directions are made with the participation of the workers themselves, and not merely initiated by management. As workers grow older in jobs already "enriched," are their job performance and retirement behavior any different (and in what way) from their age peers not in such jobs? These and related questions should be part of a research agenda in this arena of job-related problems of middle-aged and older workers.

VII. THE OLDER WORKING WOMAN

As women have become a more significant segment of the labor force, and with their participation rates increasing, the topic of older working women and the issues and problems associated with these phenomena gather in importance. Chief among these problems are the following (not necessarily in order of importance):

(1) Once unemployed, average duration of joblessness for women is higher than for men of the same, older ages.

(2) The older the discouraged woman worker, the greater the length of time between last job and the "decision" to drop out of the labor force (Moser, 1974).

(3) Compared to discouraged older males, the length of time is also greater.

(4) The chances of adequate retirement income are more severe for women than for men, and while the future may see improvements over the present, these chances will remain lower than for men (Bernstein, 1974).

(5) The uncertainty regarding the shift toward "male" occupations which typically have higher status, and which affects employment and retirement status in the later years may characterize the employment world of adult women.

(6) Even with improvements in vesting provisions, due to ERISA, women face more serious problems than men, given their shorter tenure in any given job, and their high representation among the part-time employed (who typically do not enjoy fringe benefits such as pension coverage). However, taking women of all ages, the proportion of the total population of women working on a year-round, full-time basis has risen over the past decades; and in the *middle*-age groups, at least, this proportion is greater than in the younger groups of women.

(7) Given the general pattern of no survivors' benefits in private pension plans, the higher *survivorship* of wives beyond their husband's time of death means serious problems for them, unless they themselves have gained adequate work experience with private pension coverage as well. Frequently, this element plays a role in the work-nonwork decisions of married women.

(8) This point also may prompt decisions to re-enter the labor force, or enter for the first time, at a late stage in life, with many attendant problems.

(9) Among these problems are the need for training or re-training as well as for "occupational socialization" in the world of work after many years of nonwork.

(10) But such investments in training can be stymied to the degree that both "sexism" and "ageism" together persist as barriers to the employment status of older women.

(11) Mature women seeking employment in part-time professional jobs and those with high levels of responsibility encounter obstacles in that search.

(12) *Retired* older women have lower morale than those employed (with the exception of the higher income groups). Those who never worked have the lowest morale (Jaslow, 1976).

(13) Lack of training in the early years produces a "retrogression" in economic status between the first and current jobs (Parnes, et al., 1975).

(14) *Nonmarried* older women (58–63) tend to have the lowest proportions covered by private pensions prior to retirement.

(15) Because they are typically in lower-paying jobs, with less continuous attachment to the labor force, and with wages *below* the taxable wage ceiling for Social Security purposes, women are affected more than men by the "regressivity" of the system's payroll tax.

(16) If old enough, they are more likely to "opt" for early retirement (with severely reduced benefits) than men, in times of unemployment (Sommers, 1975).

(17) On the other hand, if under the age of 62, they run the risk of being "too old to work, and too young"—i.e., little work experience—for adequate unemployment insurance (Sommers, 1975).

(18) Because of many of the above problems, and others, mandatory retirement age requirements—and not-completely voluntary *early* retirement—can mean even greater problems in the later years for women than for men.

Labor force participation. The topic of, and problems related to labor force participation among older women (and the longitudinal dimensions of such participation) is important for a number of reasons, including (1) those stemming from the cultural shift among women themselves regarding their roles in the society; (2) the relevance of such participation—at what scale, i.e., part-or full-time—to the broader issue regarding the need to find "offsets" to the allegedly growing problem of the "dependency burden" of supporting larger numbers and proportions of older nonworking persons; and (3) the possibility that work itself is becoming a more salient dimension of women's lives than in the past.

In this connection, we find it of more than passing interest that preliminary findings from a current AIR study of a national sample of 1,000 men and women 48 to 52 years old, indicate that out of 15 factors associated with the quality of life, work among women was the most important influence. Among men, however, it was only the third most important. This is a study (by Flanagan and Russ-Eft, sponsored by the Administration on Aging) which has not yet been fully explored, of the jobs and work experiences of this middle-aged group which explain the high influence-rank of work for women in this age group, and the reasons why it is higher in rank for women than for men. Other studies (e.g., Lowenthal, 1975), however, indicate that work as a source of stress is greater in the lives of middle-aged men than for women.

In any event, work as a major element in the lives of women, especially as reflected in the experiences of those with continuing attachment to the labor force, seems to be on the upswing. This development may even influence such spheres as the retirement decision, early retirement rates, and degree of acceptance of mandatory age-at-retirement practices.

Attention to this possibility is rare in the research literature and in policy documents. In a study of British semi-skilled factory workers, Jacobsohn (1970) found that among the women 50–59 years old, there was a greater reluctance to retire than among men of the same age; they were *less* positive about the prospects of retiring than the men.

Is this type of contrast a matterr of cultural differences, i.e., not to be found among American women in similar circumstances?

Is it—regardless of culture—a portent of any *divergent* tendencies among women as opposed to men regarding the trade-off between work continuity and nonwork, or "leisure" (retirement)?

Is it a specific manifestation of the general socio-cultural shift in the life and work ethos of women (in its most dramatic form, a result of the "women's liberation" movement)? That is, are today's women becoming attracted more to the world of work as a more desirable alternative to the unpaid work-role of homemaker, which is what "retirement" more typically means for women than for men—at least, so far?

These and many other questions can be translated into hypotheses for new research efforts supported by the Department of Labor. The empirical facets of such research may have policy and program implications regarding, for example, demands of working women for improved status in the labor force as they grow older, including rights to training and promotion opportunities; tailor-made provisions regarding retirement options, instead of universal policies.

The rising participation rates of women accompanied by an opposite trend for men—especially in the middle- and older age groups—is a phenomenon that has both fascinating research and policy-problem nuances. In what ways, if at all, are these two opposite trends related to each other? Or are they, to some extent, unrelated—or fortuitous? The relationship has only been asserted, and descriptively reported with statistics showing each of the two separate trends. But, to our knowledge, there has been little research as to any presumed causal relationship.

Are women actually taking the place of older men—on a job-by-job, occupation-by-occupation, industry-by-industry basis?

Does the current EEO emphasis on the employment rights of women—regardless of age—result in the reduction of opportunities for older men?

Or is the process essentially due to the growth of occupations "traditionally" held by women, and the simultaneous decline of those traditionally filled by men? As Oppenheimer (1973) has pointed out, men and women have been "used" interchangeably in *some* occupations over recent decades, but "most demand for labor has usually been sex specific," that is, the growing participation rate of women is to a considerable extent a function, so far, of the pattern of economic development which has characteristically moved the demand for labor toward those service occupations and industries historically associated with "women's work." The usual explanations, such as reduced fertility, higher education, urbanization, etc., (which increase supply) all may be relevant, but the economic development factor must also be reckoned with.

On the policy side, how feasible would it be to break up the *general* pattern of "male" versus "female" types of occupations, in order to maintain or to increase the participation opportunities of older men?

Is the current effort to change the "sex identity" of certain occupations primarily one-sided, i.e., directed toward placing women in traditionally male positions, and not directed *without* regard to sex? On this latter point, internal labor market situations might be the best sites in which to study the question.

Each year has witnessed a rising proportion of the 45+ group in the labor force. At the end of World War II, 33 percent of women 45–54 were in the work force. A little more than a quarter of a century later, the percent for women of the same ages was 55 percent. The corresponding figures for the 55–64 age group are 21 percent (1947) and 41 percent (1974)—nearly a 100 percent rate of increase. During the same period, the rates for men in both age groups *declined*.

The 65+ group's participation rate has by and large remained the same, about 8 percent, with slightly higher percentages from about 1955 to 1965. Even among just the 65–69 year olds, the rate has remained basically unchanged.

In 1947, women made up only 23 percent of the 45+ work force, but by 1976, this proportion had increased substantially, to nearly 39 percent.

The greatest rate of increase in labor force participation has been taking place among married women. Commitment or attachment to work among married women may be becoming increasingly like that of their husbands, a possibility which deserves greater research attention.

From 1959 to 1974, the percentage of women in the age groups of 45–54; 55–59; and 60–64 who worked on a year-around, full-time basis (YRFT) has also increased sharply—with the greatest rate of increase occurring in the 55–59 age group.

Contrary to what has been happening to *men* in the 62–64 age group, there has been little decline in the percent of women of the same ages with some kind of work experience, and/or working on a year-round, full-time basis—this despite eligibility for retired worker benefits at age 62.

If opportunities for year-round, full-time employment are viewed as a desirable goal (since, for example, it means a higher income), then it is important to see how such factors as *education* affect those opportunities for older women workers. The proportions of each age group working YRFT in 1974 show a clear relationship to amount of schooling.

PERCENT OF WOMEN WORKING YEAR ROUND, FULL TIME, BY AGE AND EDUCATION, 1974

	25–34	35–44	45–54	55–64	65-plus
Total	42	44	48	37	3
Less than 9 years schooling	21	30	33	27	2
9 to 11 years	25	40	42	34	3
High school (12 years)	42	45	52	42	5
1–3 years college	47	46	49	43	6
4-plus years college	54	52	60	56	5

Source: Census Bureau, Current Population Reports, p. 60, No. 101, "Money Income in 1974 of Families and Persons in the United States," 1976. Table 58.

While the proportion working YRFT in each level of schooling peaks in the 45-54 age group, the important point is that within each age group, including the key 45-64 group of women, the higher the educational level, the greater the proportion of women working on a year-round, full-time basis.

It is equally important that in each of the levels of schooling, the *median income* of the older women, especially those 45-64, is equal to or greater than the income of younger women.

Finally, although the proportion of older women working year-round, full-time is generally lower than the proportion for men of the same age group, that proportion rises depending on level of schooling, The greater the schooling, the greater the proportion working YRFT.

The importance of marital status of older women regarding labor force participation rates can partly be seen in the 1969 Retirement History Study of the Social Security Administration. Despite the eligibility for retired worker benefits at age 62, one-half of the *non*married women were still in the labor force. If they were *widows*, the proportion was only 42 percent—in contrast to 62 percent of those *never* married. Unfortunately, the Study did not include married wives with previous or current attachment to the labor force. In any event, trends in participation (or retirement) rates warrant monitoring on a systematic basis over the short- and long-run, including the rates of married women in this age group.

More sophisticated research should also include consideration of educational and occupational levels—simultaneously with marital status—as factors associated with trends in labor force participation rates of this older female age group (for example, similar to the 1900-1960 analysis by Darian, 1972).

As stated already, the participation rate of women has been increasing over the past several decades. The greatest rate of increase has occurred in the case of *married* women—almost by definition, since the rates of participation among women of other marital statuses are already high. Using an approximation to a truly longitudinal method, analysis of the data indicate that from 1966 to 1976, the rate of increase (based on the "Stouffer Method" [1]) in participation of married women 25-34 years old in 1966 had increased—by the time this cohort was 35-44 in 1976—by over 32 percent. This was greater than for other women of the same age in 1966; greater for those 35-44 in 1966 and 45-54 in 1976, and for those 45-54 in 1966 and 55-64 in 1976—*regardless* of marital status.

Nevertheless, unmarried older women do have the highest participation rates. One major research and policy-related question here is, to what degree do unmarried women in the labor force remain in it, and thereby—as they grow older—enjoy greater prospects for upward mobility than married women who typically enter (or re-enter) the labor force at a later age? This possibility thereby places the older married female re-entrant (or new entrant) in what may come to be a disadvantageous position.

Furthermore, we have little information on the "job adjustment problems," if any, of the middle-aged housewife who, for a variety of reasons, enters the labor force and finds employment. For those previously employed, does this experience, facilitate the establishment and acquisition of new substantive and adaptive skills, as compared to those without previous job experience, and to those women of the same age but with long years of uninterrupted employment?

The higher the educational level, the smaller the gap between labor force participation rates of older married and other women. How far this development will go is still not clear, and requires regular research monitoring. This "gap-narrowing" qualifies the general view that there is less economic *need* for upper socio-economic groups (one proxy for which is years of schooling) of older married women to seek employment.

Is part of the explanation due to the differences in opportunity structures according to education?

Is it because higher education is associated with having fewer children, thus making such women more available for employment?

Are there other socio-cultural values involved—such as careerism—that distinguish the upper socio-economic groups of married women?

In what ways do all of these, and other factors interact to produce the higher participation rate of married women with greater education which, in turn, narrows the gap cited above?

Finally, what are the average retirement ages of such married women relative to all others—and to men as well? We cannot accept, without empirical research, the assumption that parity between the sexes—especially holding education constant—will produce parallel retirement plans and decision-making.

Comparisons between 1964 and 1974 data reveal that among married women 55-64 years old, participation rates in each ascending level of schooling achieved had risen, with the *exception* of those with four or more years of college completed.[2] For this latter group, the drop was quite marked (from 59 down to 50 percent, while the rate for other women remained relatively unchanged—thus increasing the gap).

Finally, it may be critical to explore the reasons for, and the implications of the general *increase* in participation rates for *married* middle-aged women (45-64), accompanied by a general decrease in rates among widowed, divorced, and separated women, over the past dozen years, even in the higher-educated groups.

Because the greatest rate of change in female labor force participation has been occurring among married women, it is important to determine the *extent* of their work experience, e.g., the percentage working part-time, or less than year-round full-time. From 1971 to 1975, according to work experience tables of the Department of Labor, the prop tirons of married women, by age, with *any* work experience who were employed *less* than 27 weeks, were as follows:

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[1] A measure developed by Samuel Stouffer, in his volumes on The American Soldier, that accounts for the fact that an increase from one level of percentage to some maximum percentage (such as 100 percent) will be affected by the size of the base percentage. It is a more sensitive measure, and more relevant than the one that takes a percentage at one time and uses the absolute percentage points between that one and the succeeding one as a proportion of the original percentage, i.e., Difference in percentage points from time A to Time B divided by Difference between 100 percent and Time A.

[2] Special Labor Reports on Educational Attainment of Workers, for 1964 and 1974. By 1976, the participation rate for this group rose, slightly, to 53 percent.

	1971	1975
All women, 16-plus	23.7	20.7
Married, spouse present	22.8	19.5
25–44	24.3	21.5
45–54	15.0	12.9
55–64	15.0	12.1
65-plus	30.9	25.8

Source: Special Labor Force Reports for 1971 and 1975, Department of Labor, Bureau of Labor Statistics.

Since these percentages are based only on those with work experience, it is not clear whether the downward changes are a function of an increase in full-time job opportunities, or of a decrease in opportunities in general due to cyclical changes, etc. This clearly is an untapped research topic.

Also, to our knowledge, little, if anything, is known about the relationship between (1) changes in the labor force participation rates of different age groups of married women (and/or proportions working or seeking full-time employment, etc.), and (2) the employment status of their *husbands*. While it is generally accepted that the rise in such rates must be associated with such factors as a rising educational level of women, decline in size of family, etc., we do not know the extent to which *husband's* employment status is also influential in this changing phenomenon. We should add, too, the influence of rates of change in *inflation*, insofar as efforts to maintain a given family standard of living requires the wife to seek employment or—if already employed part-time—to seek full-time work. The current longitudinal project by Sheppard and Rix (with support from the Administration on Aging)—focusing on persons 40–69 in two large labor areas with widely contrasting rates of unemployment—is partly designed to test the hypothesis that the husband's employment status may influence the labor force status of other family members.

In any type of research on older women in the workforce, it may not be sufficient merely to refer to statistics on "labor force participants," since such figures do not actually tell us how many women actually worked in any given year, i.e., work experience. This is especially true of middle-aged and older women. For example, in 1975, the female "labor force" figure was reported as roughly 37 million (all 16 and older), but work experience tables for the same year indicate that nearly 49 million worked for some period of time, a difference of nearly 16 percent.

More important, the older the woman (starting at age 60), the *greater* the discrepancy between the labor force size and the size of the female population with any work experience. The same is true in the case of men, incidentally, but the discrepancy is of a smaller magnitude, reflecting the sex difference in proportions working year-round and/or on a full-time basis. Furthermore, comparisons between 1970 and 1975 data suggest a *declining* discrepancy in the case of women, which may reflect the growing proportion of women working on more than a part-time, or part-year basis.

To repeat, labor force *participation rates* of women, by age, marital status and race, are one phenomenon: They should not be confused with data on *work experience*. More important, from the standpoint of eventual retirement income, are *years* of full- and/or part-time employment. But there is little systematic or periodic information on this topic.

The National Longitudinal Study of women—*if* supported long enough and with little attrition—could become one major source of such information. The type of research required, however, must ideally include women currently not in the labor force, or currently not employed, and must also be designed to reckon with the possibility of intermittent participation and employment (full- and part-time) in future years, prior to full and permanent retirement.

There are other aspects of the older woman worker topic which need research and policy attention, and which may contain the roots of potential problems. The major conceptual point regarding one of those aspects is that the relationship between marital status and labor force status among women as they become older may not be uni-directional. We cannot ignore the possible impact of employment among women upon their marital status, and their eventual socio-economic status in later life. Many single women obtain satisfying employment and partly because of this, remain single for a *longer* number of years than otherwise, or may even remain single throughout their lives—again, partly because of the nature of their work experience.

Equally important, if not more so, many *married* women may obtain and keep a satisfying type of employment, and this fact *itself* might increase the odds for separation or divorce—thus making them "unmarried" for the rest of their lives. To the degree that family dissolutions are a critical problem for individuals and for society, the topic acquires a policy-implication significance.

There is, however, little in the way of research designed explicitly to test the hypothesis that labor force status is itself an "independent" variable in marital patterns and trends, including the phenomenon of divorce and separation. One research model might consist of longitudinal analyses of cohorts of young adults and middle-aged *employed vs. not employed* wives, concentrating on relative changes in marital status over an extended number of years. Data of a cross-sectional nature already exist on the labor force status of divorced and separated women, but they do not contain information regarding the relative *time* position of entry into the labor force and of change in marital status.

Finally, with regard to labor force participation, no attempt to carry out *projections* of participation rates of middle-aged and older women should ignore those factors that may function, over time, as possible deterrents (or conversely, facilitators) to their continued participation in the workforce, with special regard to socio-economic differences among such women. In discussions of this nature, the observations of Taeuber (1976) on projection efforts in general should be heeded:

"To the chagrin of forecasters and other seers and to the delight of the human spirit, the future cannot be foretold. . . . No single manpower projection, no matter how careful and sophisticated, can lay claim to much confidence that it portrays *the* future path. Policies need to be adjusted to changing circumstances, and so do projections. The activity of projection should be continuous and it should be focused on the delineation of multiple alternatives. The alternatives should represent varying perspectives on what is likely to happen and on what may happen as a result of various deliberate policy interventions."

To be sure, labor force projectors cannot be expected to know about all the various developments and problems that other social sciences may include in scenarios of alternative futures, but they should make use of some of those resources to identify the important, more plausible sets of alternative possibilities, and to work out the major *indirect* effects.

For example, in professional and technical classes, a middle-aged or older husband-wife family may have to make a trade-off between dual employment and higher taxes required by the higher joint income of the two. In such cases, where the couple decides the marginal return is not sufficient to warrant a second person working (both of them on a year-round, full-time basis), who shall stay in the labor force? Who shall drop out? Or might we not also see a new pattern emerging, one in which the two take turns participating in the labor force, as another variation of the notion of alternative work schedules?

As another example, among the older married working women in the future, will it be as safe at that time, as it apparently was nearly ten years ago, to assert that retirement for them will be defined in terms of their *husbands'* withdrawal from the labor force? This was a major reason given by the Social Security Administration for excluding married women from their Retirement History Study, begun in 1968.

As of 1966, in the NLS sample of middle-aged males, nearly one-half of the whites and nearly three-fifths of the blacks reported working wives. This survey, because of its longitudinal nature, should be a valuable source of findings on (1) relatively recent patterns regarding such an assertion, and for (2) suggesting new avenues and hypotheses for research on future cohorts of middle-aged husband-wife labor force members.

Older female heads of families. Marital status—whether married, divorced, separated, widowed, or never married—is an important factor in the labor force participation of women, but among the non-married, there are female *family heads*. Middle-aged and older women in this classification may have been experiencing different patterns of labor force participation—and special problems associated with those patterns—compared to others. From 1970 to 1975, the labor force participation rates of 45–64 year-old female heads of families *declined*—in contrast to those of married and all other women (McEaddy, 1976; Employment and Training Report, 1977).

Equally important, among family heads only, this decline occurred only in 45 and older age groups.

There are no definitive explanations for these contrasting trends and patterns, nor anything that tells us much about the problems, if any, accompanying the trends and patterns. What is there about such middle-aged and older female family heads and their circumstances that explains their declining participation rates, relative to younger female heads, and to other women of the same ages? Is the decline indicative of special difficulties faced by them and their families? Once such information is obtained through careful research efforts, special programs and policies could then be developed to meet those difficulties, if indeed they exist.

Unemployment duration and discouragement. Once unemployed, middle-aged and older women remain unemployed longer than their younger peers, just as in the case of men. From 1973 to 1976, the proportion of older women unemployed for 15 or more weeks increased at a greater rate than for other age groups—but still slightly less than for older men. But by 1976, for both older women and men, the long-term employed were at least 42 percent of all older unemployed—in contract to approximately 30 percent for all others.

Because of their generally lower number of UI eligibility weeks, older women are also disproportionately among the UI exhaustees, and thus perhaps more likely to become "discouraged workers," i.e., labor force "drop-outs."

In the older studies of workers subjected to plant shutdowns and mass layoffs, it was generally found that older women were much more likely than older men to cease job-seeking activities altogether, or to persist at a lower level than in the case of men. There have been few studies of such situations in the past five years or so, but one hypothesis would be that the extent of continued job seeking persistence among older women in similar situations would be greater than in the past. This hypothesis is based on the assumption that today's female labor force—including the older segment—has a greater attachment, for economic and social-psychological reasons, to the labor force than in the past.

The late entrant. We have already stressed the importance of continued, and well-paying, employment in general for the ultimate retirement status level of Americans. The principle applies more directly in the case of women (and for disadvantaged minority groups, too). Even with the improved mortality rates of older men, women can still "count on" outliving their spouses, and thus exposed to higher risks of low status in their retirement years. The longer a person lives, in other words, the greater the unmet needs. We should add to this factor the implications of an apparent trend toward never-married and divorced women, a phenomenon which portends new job-related problems for women.

Apart from the general issue of sex-bias in the occupational structure of the labor force which exacerbates the current and future job-related problems of middle-aged and older women, another source of these problems lies in the large number of women who, in middle-age, enter the labor force for the first time, or after many years of only "home-making" experience.

The extent to which women enter the labor force at relatively young ages, and *remain* employed, should, of course, tend to reduce this problem. It is incumbent, therefore, that research on trends in proportions who are long-term employed, by different age groups, be a regular component of the Department's activities. This does not rule out, however, the strong possibility that for many women over the long-term future, first-time entry (or entry after an extended period of non-attachment to the labor force) will continue to warrant strong research and program attention. The fact that the general educational level of women has been improving, and will continue to improve, constitutes (1) an ameliorative facter in improving the job chances of such new entrants; and (2) a challenge, in that such higher-educated women may face problems of *under*-employment—i.e., employment in types of jobs not commensurate with their levels of education and the expectations that such education usually create.

But for some time to come, we will still be faced with the "displaced homemaker" problem, and that of all middle-aged and older women re-entering or entering for the first time, the labor force. They may frequently need special training because of their limited work experience.

On the research side, there may be a need to identify the types of "deficiencies" for which such special training would be designed—including training in more than the substantive skills.

Congress has, in recent years, been considering legislation (similar to that already existing in some states) which would provide special assistance to what has been called the "displaced homemaker" population, i.e., women who—because of widowhood at an early age, or divorce and separation—desire and need employment. This assistance would consist of, among other things, special counseling, training, and job development.

Without waiting for such national legislation to be passed, the Department could, at the present time, support projects designed to evaluate such few ongoing programs as do exist, for example, in California, and Maryland, in order to learn critical lessons from such experiences as a means of being better prepared to design more effective nationally legislated programs, once passed.

Social Security. Another job-related problem of women is that they are treated "equally" with men as far as "years of forgiveness" for interrupted work experience or low earnings years are concerned, in calculating retirement benefits. Women's rights advocates point out that the maximum of five years lowest earnings may have been reasonable in the case of men, but that the special labor force status of women is such as to result in many more years of such earnings levels.

As women enter the labor force on more than an intermittent level, this problem will become somewhat attenuated, but will *proportions* of women with such regular labor force attachment and employment reach—at least in the intermediate future—those for men?

Here too, is a topic for research attention. While the problems facing the Social Security system are not directly those of the Department of Labor, some types of cooperative policy research analyses (with an aim at alternative solutions) might be carried out.

Middle-aged and older women in—or seeking to enter—the labor force not only face the obstacles encountered by their age peers among men, such as stereotypes regarding work performance. In addition to the "ageism" hindering their chances in the labor market, they face also the "sexism" encountered by women in general. Other complaints registered by advocates for the job rights of women include the apparent penalty paid by married women as far as entitlement to retired *worker* benefits are concerned, under Social Security—a reflection of the "cultural lag" surviving from the time of the passage of the Social Security Act when it was taken for granted that few married women would work for extended numbers of years, and that the only protection they needed was as *widows* or wives of retired males. Thus, today, according to these critics, they do not accrue, upon retirement, their full benefits as retired *workers*.

On the other hand, even with an intermittent work career, her benefits as a wife can be larger than if she had never worked at all, even though her earnings were subject to deductions for Social Security contributions.

Much of the problem is rooted in the original and basically still prevalent principle (and financing) of Social Security—namely, that it is a form of "insurance," defined as a payment (a *transfer* payment, and not an annuity) to a previously employed person after a certain age (now 62) in the *event*—the contingency—of no employment.

Defenders of the current Social Security system point out that "it is not correct to argue for . . . changes on the ground that women workers as a group get less for their contributions than do men workers as a group." [1] This does not address the issue of whether some women—especially working wives—have a legitimate complaint. As a research topic, this issue is important if only to delve into the degree to which such inequities, if they exist, function as disincentives among women to enter the labor force in any meaningful way.

This topic is thus related also to the adequacy or accuracy of projections (and the assumptions used in such projections) concerning labor force participation rates among women, especially married middle-aged and older ones. The Social Security Board of Trustees report of 1975 projects that "ultimately" (no date specified) the female participation rate will be about 73 percent of the male rate. Such projections call for regular assessment and re-examination, as already suggested.

Older minority women. Currently, the occupational structure of middle-aged and older female blacks shows a much lower socio-economic profile than the structure of comparable white women. The critical research topic here is to determine, over the ensuing decades, the degree and direction of changes absolutely and relatively, as the current "new generation" of female blacks (and some other minority women)—with their improved educational achievements, reduced fertility rates, etc.—move into their older years.

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[1] U.S. Senate Special Committee on Aging, Women and Social Security: Adapting to a New Era, October, 1975.

We do know, for example, that much smaller proportions of young female blacks, compared to their older ranks, are in such low status jobs as domestic servants, and that their educational achievements are far superior to those of older black women—all of which suggests the *possibility* of an improved status in the future. But there is a need to distinguish between improvements over a previous generation of women of the same race, and improvements relative to women of other races.

VIII. OLDER MINORITY GROUP WORKERS

In the past, little attention was paid to the special and unique job-related problems of older blacks and other minority groups—partly because it was asserted that they were preponderantly in rural and farm areas where unemployment was little studied (apart from problems of low income from rural-farm pursuits); partly because the civil rights movement had not yet succeeded to the point of raising the consciousness (and conscience) of the majority society. Another extended viewpoint was that since so few blacks survived into the upper ages, there was no problem worth considering!

Current facts and projections for the future no longer justify such neglect. For example, in 1975, there were nearly 2.6 million nonwhites 62 and older; more than 1 million 55 to 59; and nearly 4 million, 40–54 (2.3 million; over 900,000, and 3.5 million blacks respectively).

By 1990, slightly more than one decade from now, these figures will rise to about:

[In millions]

	All nonwhites	Blacks only
62-plus	3.7	3.2
55–59	1.3	1.1
40–54	5.5	4.5

The rate of increase in such numbers is actually projected to be higher than for whites or similar ages. These figures assume no marked improvement in mortality rates, an assumption which can no longer be accepted with as much sanguinity as in the past. The median age of the black population in 1975 was only 23.4 (compared to 29.6 for whites), but the projected median age for 1990 is 28.5 for blacks (compared to 33.6 for whites)—reflecting declines in fertility rates, but with no account taken of possible improvements in mortality rates for middle-aged and older persons.

Just the increase of roughly [illegible] million additional blacks 40–54 between 1975 and 1990 will present a special challenge to the country's general problems of employment of its middle-aged workers. At the very least, it suggests the importance of special research, policy and program attention directed *now* to those blacks and other minority group members who are in their 30's and 40's—the future 40–54 year olds of a decade from now.

Preventive measures, unfortunately, receive a lower priority than those measures designed to cure and alleviate the job-related problems of today's older persons, regardless of ethnicity. But for such minority groups, the generalization is especially pertinent. The current emphasis on the "welfare population" can be interpreted partly as a cost of past failures to cope with the job-related problems of such persons at earlier ages. The magnitude of the future welfare population problem will depend in part on what is done with and for *current* critical segments of the "young middle-aged" in minority groups.

It is difficult to accept the explanation that *voluntary* retirement, for instance, is the critical factor involved in the far greater decline in labor force participation rates among nonwhite males—compared to whites—from the time they were 35–44 in 1956 to the time they were 55–64 twenty years later, in 1976.

This is apart from the greater mortality rate among nonwhite males over these two decades—itself partly due to job-related problems. The latter phenomenon is also a critical research, program, and policy matter.[1]

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[1] By 1976, the total 55–64 nonwhite male population was only 77.5 percent of the corresponding 1956 35–44 population, as contrasted to 86.1 percent of the whites, an indication of the lower survivorship rate of the nonwhites.

A report by the National Center on Black Aged (1976) highlights the special labor force problems of older blacks, including the following:

—Higher labor force drop-out rates.

—Greater involuntary part-time employment.

—Few, if any, local black sponsors of such limited programs as Title IX programs.

Much of that document is devoted specifically to the issue of participation by older blacks in job programs, a topic of a separate section in this report.

"Double jeopardy" is the term frequently applied to the situation of older black workers. As one example, while white workers 55–64 experienced an increase in labor force participation in the 1975–76 "recovery," the opposite—a decrease—occurred among blacks and others (the BLS tables in the Employment and Training Report do not separate other racial groups from blacks, but the latter constitute the vast majority of that category).

Actually, the decrease took place among black *males*, not females. The 55–64 year old nonwhite male participation rate fell by three full percentage points from 1975 to 1976—in contrast to a mere 0.4 decline point for black *females* of the same age group; a decline of 1.1 point for white males; and only 0.1 point for white females.

The reasons for such differentials still need exploration and warrant continued research.

Rates of unemployment also are critical, and as the accompanying table reveals, only the nonwhites in the 55–64 age group—in contrast to their white peers—experienced an increase in unemployment from 1975 to 1976, otherwise a period of job "recovery."

Persons 65 and older are excluded from this table because of the age-heterogeneity of that category—a point which needs correction in future statistical reporting series, since it should be useful to ascertain rates for such age groups as 65–69, and 70–74, but especially the 65–69 group. Furthermore, since men and women can retire as early as age 62 under Social Security, even the 55–64 classification should be broken down into 55–59; 60 and 61; and 62–64—just as the Department's work experience tables have done for some years. (By 1990, there will be at least a 36 percent increase over 1975 in the number of nonwhites 60–69 years old.)

ADULT UNEMPLOYMENT RATES BY RACE, SEX, AND AGE, 1970-76

	1970	1971	1972	1973	1974	1975	1976
All 16-plus							
White males	4.0	4.9	4.5	3.7	4.3	7.2	6.4
White females	5.4	6.3	5.9	5.3	6.1	8.6	7.9
Black and other males	7.3	9.1	8.9	7.6	9.1	13.7	12.7
Black and other females	9.3	10.8	11.3	10.5	10.7	14.0	13.6
25–34:							
White males	3.1	4.0	3.4	3.0	3.5	6.3	5.6
White females	5.3	6.3	5.5	5.1	5.7	8.5	7.6
Black and other males	6.1	7.4	6.8	5.8	7.2	11.9	11.0
Black and other females	7.9	10.7	10.2	9.7	8.6	12.9	13.0
35–44:							
White males	2.3	2.9	2.5	1.8	2.4	4.5	3.7
White females	4.3	4.9	4.5	3.7	4.3	6.6	5.8
Black and other males	3.9	4.9	4.8	4.0	4.1	8.3	7.1
Black and other females	4.8	6.9	7.2	5.3	6.7	8.6	8.1
45–54:							
White males	2.3	2.8	2.5	2.0	2.2	4.4	3.7
White females	3.4	3.9	3.5	3.1	3.6	5.8	5.0
Black and other males	3.3	4.5	3.8	3.2	4.0	9.0	7.2
Black and other females	4.0	4.2	4.7	3.7	4.3	6.7	6.1
55–64:							
White males	2.7	3.2	3.0	2.4	2.5	4.1	4.0
White females	2.6	3.3	3.3	2.8	3.3	5.1	4.8
Black and other males	3.4	4.7	4.6	3.1	3.6	6.1	6.2
Black and other females	3.2	3.5	4.0	3.2	3.3	5.3	5.5

Source: "Employment and Training Report of the President, 1977," table A-20.

More important in this context, however, is the fact that from 1973 to 1975 (the start and end of the recent "recession"), black males in each of the age groups in the 25–64 range experienced a *doubling* of their unemployment rates which were already high as of 1973; for the 55–64 group the 1976 rate (which *in general* declined) was even higher than in 1975. The same was true, too, of black females. Age and race thus combine to produce the double jeopardy.

Such job-related problems of older minority groups may be further aggravated by the possibility of their having more dependents than whites. Among the 53–57 year old black males in the NLS sample, for example, nearly 12 percent still had three or more children under 18 in 1966, still living with them, in marked contrast to only 4.3 percent in the case of white males of the same ages. Among Spanish-speaking and other minorities, the proportion may be even higher.

To be sure, white males 25–54 also experienced a doubling of unemployment rates from 1973 to 1975, but the rates were lower to begin with, and more important, *declined* from 1975 to 1976. Furthermore, the rate for white males 55–64 did not double, unlike the case of black males, from 1973–75, and they experienced a slight decline in unemployment after 1975.

One of the crucial dimensions of the double jeopardy status of older minority workers can be seen in the fact that even for the NLS sample of "healthy" middle-aged blacks (45–57 in 1966), unemployment in that year had a greater statistical relationship to nonparticipation (i.e., withdrawal from the labor force) *seven* years later than in the corresponding group of whites. In both cases, for both whites and males, the relationship held, but more so for the blacks.

In both cases, the finding points to the need to consider "exogenous" influences on the "decision to retire" and also the need to cope, when conducting research on the impact of unemployment, with the "lag" factor which suggests that a process is involved which cannot be captured through cross-sectional kinds of research. It should be noted that labor force withdrawal in this particular analysis (Sheppard, 1976) refers to withdrawal *before* the age of 65 (EWR). The older the unemployed individual, furthermore, the higher the early withdrawal rate—even for those only 45–47 years old in 1966. Again, the relationship was greater in the case of black males.

Health and employment status as of 1966, when added to the race variable, clearly shows the disadvantaged position of black males, as demonstrated by the following tables showing early withdrawal rates (including death before the age of 65).

1966 employment, race, and health status

Rank:		*EWR by 1973*
1.	Employed healthy whites	19. 1
2.	Employed healthy blacks	22. 5
3.	Unemployed healthy whites	29. 5
4.	Employed unhealthy whites	33. 9
5.	Unemployed healthy blacks	37. 5
6.	Employed unhealthy blacks	39. 2
7.	Unemployed unhealthy whites	40. 0
8.	Unemployed unhealthy blacks	63. 2

Presenting the findings in another way, (1) among the workers employed when interviewed in 1966, and (2) among those unemployed that year, the 1973 EWRs were as follows:

Race and health status	Employed in 1966, EWR	Unemployed in 1966, EWR
Healthy whites	19. 1	29. 5
Healthy blacks	22. 5	37. 5
Unhealthy whites	29. 5	40. 0
Unhealthy blacks	39. 2	63. 2

The higher rates of unemployment and of poor health status (as measured by self reported estimates of work limiting capabilities) among black middle-aged and older males are reflected in this table, and call for special research analyses and appropriate program responses to cope with the special problems of that group—including measures designed to intervene before such men reach their 40's and 50's. The fact that the early withdrawal rate of employed healthy blacks is not much below that of comparable whites reinforces the importance of both health and employment status.

Relatively good health status, among older blacks, however, does not necessarily mean that their labor force participation rates will be similar to that of whites. Their poor health status may be offset by a greater economic need to remain in the labor force.

The NLS data file contains a rich source of information concerning some aspects of the factors processes involved, that is, the experience and attitudinal changes in the intervening years, and research should be encouraged on the work-capacity and employment aspects of the labor force experience of blacks and other minorities as contrasted to that of whites.

Future Years. Given the reported sharp improvement in the occupational gains of young blacks in recent years, it is important to carry out longitudinal studies to determine whether such gains are not only sustained, but to ascertain the extent to which such phenomena as changes in early withdrawal rates occur—and in which direction—among minority groups, relative to whites, and by sex. The NLS samples of women, if continued to be surveyed, would be a major contribution to this effort.

Furthermore, a new sample survey of men 45–59, beginning no later than 1979 or 1980, would provide information of an important nature and quality concerning "generational" differences, if any, in the labor force and life status of blacks relative to white middle-aged and older workers. In other words, in what respects are the 45-59 cohorts of, say, 1980, different from those of 1966?

Part-Time vs. Full-Time. The work experience data available through the Department of Labor (BLS) have not, to our knowledge, been as fully exploited for research and policy purposes as they might be, a point made in other parts of this report. In the case of minority groups, for example, in 1975, nearly 16 percent of nonwhite males 45-64 years old worked either in full-time jobs for less than 27 weeks or at part-time jobs, compared to 10 percent of white males. Corresponding figures for females were 39 percent in the case of nonwhites, versus 36 percent for whites. For both male and female nonwhites, the proportion working only part-time was greater then among whites. Compared to the 25–44 age groups, the part-time proportion was greater for the older persons, especially among nonwhite females.

Unfortunately, these age groupings are too broad for any usefulpolicy-reseiarch purposes, and furthermore, information is lacking regarding the degree to whch such work experience on less than a year-round, full-time basis is voluntary vs. involuntary.

Furthermore, the percentages reported here are based on only those with any work experience at all. Perhaps a more sensitive measure would be derived from using as the basis the *total* population in each race and age group (with and without work experience). This failure to use a total population base may serve to obscure the discouraged worker phenomenon in such age groups, especially when trend analysis included cyclical changes in the general level of employment opportunities.

Underemployment. Anecdotal literature is replete with case studies of black males who achieved higher education degrees in the 1940's and '50's, but remained victims of race discrimination in the world of employment; they thereby became "underemployed." No study of a systematic nature has been carried out to find out if the recent progress in equal employment opportunities has produced any marked effect on their current employment status levels.

Has their older age become the new barrier for any upward mobility?

Have they become "locked in" (because of pension rights and other equities built up over time), and thus reluctant to seek upwardly mobile opportunities?

Has the long-term experience with such underemployment produced an "adaptation" on their part, of a form of resignation?

To what extent does the same phenomenon occur even *today*, and with what different implications for the future?

Each of these questions needs to be examined within specific industries, occupations, and regions. The NLS occupational mobility items would be one general source, in both the 30–44 female sample, and the 45–59 male sample, for exploratory findings.

The NLS sample should be analyzed to seek answers to these and related questions. The 1974 report (Parnes, et al., 1974) on the 1966–71 data does not shed any direct light on the issue, but the material on voluntary job-changing during those five years (with no White-Black comparisons) may provide some suggestions for further research on the questions, for example:

(1) Education was positively associated with voluntary job-changing; pension-coverage, *negatively* associated.

(2) Job satisfaction with new job among Black voluntary job-changers increased over satisfaction with previous jobs, much more than among White changers.

Policy dimensions of life expectancy differences. One of the issues among researcher and advocates concerning problems of the minority aged emanates from the lower life expectancy at birth of racial groups such as blacks. Accordingly, such persons argue that special provision should be made in the Social Security system to rectify this disadvantage—either in the form of even *lower* retirement ages for such groups, and/or *higher* benefits for those persons retiring at the same age as the White majority.

Apart from the administrative and cost problems entailed in such proposals, there remains the issue of whether or not, among the *older* black workers (i.e., those who survive into the upper ages), such differences in life expectancy—say, at 60 or 65—are as great as implied. According to the National Center for Health Statistics, life expectancy at 50 and 65—as of 1973—for white and nonwhite males and females was as follows:

	Whites	Blacks and others
Male:		
Age 50	24.3	22.4
Age 65	13.7	13.4
Female:		
Age 50	30.3	27.9
Age 65	18.1	17.5

Source: National Center for Health Statistics, Vital Statistics Report, vol. 28, No. 11 supplement, February 1977, table 2.

This table suggests that by age 65, white-nonwhite "gap" among males is nonexistent, although among women, the life expectancy for whites is greater. But none of this pinpoints the specifics of life expectancy among *workers*—or those retiring from the labor force—by race, sex, and age. As long as the industry-occupation mix is not "equal," factors such as mortality and health (as affected by the nature of the job, for example), and "retirement resources" (as affected by pension eligibility, number of dependents, etc.), may also continue to be unevenly distributed. Regardless of the legal and financing dimensions of the issue of differential benefits and retirement ages under social security, Black "caucuses" of/and for the aged can be expected to keep the issue alive.

All of these and related facets raise the question of the degree to which EEO laws, regulations, and enforcement will move minority groups into industries and occupations which (1) improve their pension-coverage status; (2) raise their total life work experience and wage levels; (3) impact on their health status as a function of the nature of the job—and thus their life expectancy, etc. Current research should make this one of its major focuses, and simulation models might be constructed to project future conditions regarding these phenomena.

As an example of the "inequality" dimension, in 1966 (according to the NLS data), among men 48–52 years old, (1) only 15.7 percent of the blacks were craftsmen and foremen, compared to 26.3 percent of whites. (2) Their "health" rate was lower than for whites. (3) On the other hand, their death rate by 1973 was no different—perhaps even better—compared to whites. (4) Among those still alive in 1973 (55–59 years old), their "unable to work" proportion was about the same as for whites.

But, to repeat, a much smaller proportion of black males was in this occupation. As a result, for all blacks 48–52 in 1966, compared to their white age peers, their early withdrawal rate (including deaths) by 1973 was much higher than for whites. And among those still alive in 1973, their "unable to work" proportion was higher than for whites. In general, such data imply the difference it makes to have an equal white-nonwhite occupational distribution. It should also be noted that as of 1966, few blacks—if any—in the 48–52 age group were in managerial, official, or proprietor, sales and clerical occupations.

Another inequality dimension can be seen in (1) the relation *pension* coverage of whites and blacks in the NLS data on 45–59 year old males; in 1971, 72 percent of the white, but only 59 percent of the blacks, were employed in establishments with pension programs. (2) In 1973, 70 percent of whites 62–64 were retired with a pension, compared to only 52 percent of blacks of the same age.

Many of the research and program recommendations of a general nature discussed throughout this report should be applied, naturally, to the special subgroups in the population. For example:

(1) Trends in proportions affected by mandatory retirement age policies.

(2) Similarly, measures regarding other forms of involuntary retirement, *before* any mandatory retirement age.

(3) Extent of voluntary vs. involuntary part-time employment—and the "universe of need" for voluntary part-time employment.

Other elements of the minority older worker topic which contain research, policy, and policy suggestions include:

The impact of union vs. nonunion membership. One study (Parnes, et al 1975) indicates that middle-aged black operatives who are not union members earn at least 25 percent less than comparable whites while the differential between black and white union member operatives is much less (about 10 percent). But this latter differential itself warrants special attention.

The importance of labor market information. For example, most jobseeking studies indicate the importance of job-openings through friends and relatives or other informal mechanisms. Typically, whites are more familiar about such knowledge, and the challenge here relates to how such information can be improved among minority middle-aged and older jobseekers.

Effects of workplace "outmigration" from central cities. To the degree that restrictions on access to housing in suburbs and in urban areas to which industries might relocate continue to be greater for minority groups, the drift in the direction of greater and greater concentrations of older persons in the central cities constitutes not only a serious problem for older minority jobseekers, but even for the central city governments as well. New trends, if any, in the migration patterns and opportunities, require special research attention.

Changes in the industry-occupation composition of middle-aged and older minority workers. Independently of the characteristics of such persons, the dynamics of change in the Nation's industry-occupation mix will serve both to improve and to damage the job-related problems of minority groups, especially the middle-aged. The effects of such changes in this regard should be a major focus of empirical and projection studies.

Greater union contract coverage. The NLS data indicate that, contrary to some expectations, a higher proportion of middle-aged and older blacks are covered by collective bargaining contracts. If this is so, and these contracts provide for some form and degree of seniority rights, such contract coverage becomes a valuable beachhead for these workers, not available to whites in general. The facts do not contradict, however, that among only whites and blacks covered by contracts, the former may have higher seniority (including seniority restricted to more desirable jobs and departments).

How will blacks fare, in the future, relative to other *non-unionized* blacks, in the same occupation, and in other occupations? What will be the trends *vis a vis* unionization and its presumed benefits among *today's younger* blacks (and other minorities, too), as they themselves become middle-aged or older?

Effects of Rulings on Seniority Coverage. In recent years, in the steel industry for example, restrictions of seniority rights within only departments (e.g., in foundries) have been abolished by court action. What have been the effects of greater *company*-wide seniority rights in the internal labor market experiences of minority workers? How widespread is the pattern of company-wide seniority rights, an in what ways are minority group middle-aged and older workers benefitting from such a pattern?

Relationship of type of job to health status. While work environment attributes contribute to the health status of all workers, in what ways is that status among minority middle-aged workers any better or worse, given their current lower positions, in general, with regard to their location in types of industries and workplaces characterized by greater risks regarding safety and health? Are OSHA's activities having any effect on this phenomenon?

Other minority groups. The fact that this report devotes little space to minority other than blacks should not be interpreted as a reflection of any intent to place a lower priority on their job-rated problems. Blacks, however, are the dominant minority group in this country, and have been the most politically effective in expressing their unmet needs in the employment area. But even for this groups, attention to the middle-aged and older segments' job-related problems has been only recent. Detailed, systematic statistical reporting for blacks only (as contrasted to "nonwhites" as a statistical category) is only beginning to improve.

Departmental research should be systematic in disaggregating such data, even if this requires over-weighting of their representation in samples (such as in the case of the National Longitudinal Survey). In special local areas, where it is known that *other* minority groups are concentrated more than in other areas (such as Filipinos, American Indians, and Spanish-speaking persons), the same principle should be applied.

Unfortunately, national data of a detailed nature, by age, are lacking regarding such items as participation rates of other minority groups (e.g., those of Spanish origin), according to age and education, for example. As a case in point, the 1975 BLS report on *Educational Attainment of Workers, 1974*, provides a participation rate table, on persons of Spanish origin using the broad age span of 25–54, by sex and education, which thereby obscures age differences, if any, within that span. This makes it impossible to make meaningful comparisons between specific age-sex-education-ethnic groups *vis a vis* whites and blacks. Furthermore, the samples for the upper age groups (55–64, and 65-plus) are too small for any reporting purposes—part of which, of course, is a reflection of the very low educational achievements of those age groups.

IX. OLDER WORKERS IN RURAL AREAS

Typically, rural areas are characterized by work forces older than those in the larger urban areas—attributable partly to the greater likelihood of young persons to emigrate from them because of restricted job opportunities. The range of severity of rural older worker problems is affected by the latter, too, but also by type of rural area (e.g., the midwest wheat belt vs. Appalachia, and the rural South). Generalizations on this topic are not too secure.

Nevertheless, it may be safe to say that in most instances, the traditional structure and dynamics of job opportuniteis in rural areas are such as to increase the odds for middle-aged and older workers in those areas to move into a poverty status by the time they reach 65 or more. This may be especially true in the case of rural *nonfarm* population.

Departmental and other governmental concern with the rural older worker should probably concentrate more on programs, and demonstration projects, than research—except to the degree the latter is required as part of programs and demonstration projects, including evaluation.

Given the limited opportunities in many, if not most, rural areas for employment in the private sector for persons of all ages, emphasis should be placed on greater involvement of the local rural public sector agencies, especially with regard to the older worker. Limited experience with Title IX programs in such areas suggests that public sector opportunities might be expanded.

In one effort, carried out in several counties (by the American Association of Retired Persons), jobs were developed for persons 55 and older as school matrons, teacher aides, hospital and library aides; assistant school bus drivers—and even maintenance mechanics. Other examples include welfare agency case worker assistants and commodity distributors.

The benefits for the individual persons employed, the agencies employing them, and the families of such persons should be obvious. But there is also a community benefits side that requires consideration and perhaps evaluation. For example, as a result of employing elderly persons as pickup truck drivers to bring children to county health clinics, the number of children and of clinic visits increased—presumably with positive effects on the health status of the children. Even the Food and Drug Administration improved its rural consumer education program by enlisting the older persons as part-time employees.

On a more general policy level, serious consideration should be given to relatively *permanent* rural community service employment programs for older men and women. For middle-aged rural workers, public *works* programs might also be given greater emphasis. Without any additional public works programs in such areas (when truly needed, of course), there may be a tendency to disregard that age group in favor of younger persons still remaining in the rural areas.

In any event, all of these kinds of programs should be studied, with a focus on income effects; migration rates and patterns of program participants *and* their younger family members.

Census reports suggest that starting in the early 1970's, the rate of growth in metropolitan areas declined and that *non*metropolitan areas continued to gain populations from the former (Bureau of Census, January, 1977). "Many 'rural' counties, particularly those with a large State university or an especially recreation area," show a new *in*migration from other parts of the country.

To our knowledge no special focus has been directed to the impact of this phenomenon on the socio-economic status of the older age groups in the native, nonmigrant population of those rural areas. Ostensibly, such areas should be experiencing a growth—at least a stabilization—of employment opportunities, to the benefit of middle-aged and older persons, as well as to that of younger ones.

But no attempt has yet been made to verify this hypothesis. At the very least, such information should help in the fine-tuning of policies and programs designed to assist rural-area middle-aged and older persons in their job-related problems.

Contrary to stereotypes, older persons do nevertheless migrate—especially if unemployed. Therefore, in addition to the phenomenon of older rural nonmigrants and their related job problems, there remains the equally significant phenomenon of older rural migrants to urban labor markets, and the differences over time (as persons "age") between migrants and nonmigrants in places of destination. It should be obvious that an integral part of a systematic effort to ease the problems of rural persons in general is the facilitation of adjustment to the urban labor market among those who do not stay in rural areas, but rather migrate to the former. (Peterson *et al*, 1977).

In this connection, little research attention has been given to the characteristics of the place of *destination* of migrants from rural areas. Sheppard (1971) has reported on the labor force status and experience of young and older rural migrant *females* (white and black), according to size of SMSA, using the 1967 Survey of Economic Opportunity data sources. He found, for example, that among white females, the larger the SMSA the greater the opportunities for year-round full-time work for those 45-plus. The same was true for blacks of the same age group. At the same time, the proportions of older black rural migrants working no weeks at all increased, according to SMSA size. This was *not* true in the case of *white* rural migrants 45 and older.

Equally, if not more important, the occupational structure in 1966 among older black rural migrants reveals greater opportunities in the largest SMSAs (over 750,000). This is dramatically illustrated by the fact that the proportion of older black women employed as domestic servants was much less in the largest SMSA's, compared to those with populations under 250,000 and 250–750,000. Furthermore, while the proportion of older rural migrants employed in this low-status occupation was higher than for older "native urbanites" (those born in the SMSA where interviewed) in the smaller SMSA's, this difference disappears in the largest SMSA's.

Finally, as a single index of family socio-economic status, the "poverty rate" among *white* older rural migrants, the poverty rate was higher than for white native migrants, regardless of sex of SMSA (although the rate is lowest for both migrants and native urbanites in the largest SMSA's).

But for black females, the pattern is the exact opposite: older rural migrants, especially to SMSA's over 250,000, had *lower* poverty rates than their counterparts who had always lived in the urban area where interviewed.

The reasons for this latter finding still need to be explored. Education may be a factor, given, given the finding by Sheppard that both black and white rural migrants reported more years of schooling than native urbanites.

In addition, this type of research focus requires updating, given the fact that these findings are at least ten years old, and economic changes, as well as changes in the composition of the populations, have taken place, and will continue to do so.

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